Harambe: Strategic alliance formation and performance evaluation in the tourism sector of travel

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This thesis is submitted in total fulfilment

of the requirements for the degree of

Doctor of Philosophy

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Submitted in October 2006

Abstract

This thesis investigates the influence of company and executive characteristics on strategic alliance formation (decision to form alliances, alliance type selection and choice of alliance partners) and performance evaluation of alliances, in the Australian tourism industry sector of travel. The significance of forming strategic alliances as a way of achieving *harambe* is emphasised throughout this thesis. *Harambe* is a ki-Swahili term meaning “to pull together, or to work together or to pull the same rope together at the same time” in harmony (Murove, 2005). The idea here is that companies pool their resources together through strategic alliances to be able to achieve their strategic goals and objectives.

The research focuses on three travel sub-sectors – travel agencies, tour operators and wholesalers and how these sub-sectors relate with those of transport and accommodation. A behavioural framework for investigating strategic alliances was developed. This framework provides a unique approach to assessing both executive characteristics (see upper echelon studies) and company characteristics (see organisational studies) in one integrated model of tourism strategic alliances. The pragmatist research program adopted for the empirical research allows for s triangulation of results that enables a depth of theoretical understanding not currently available in the tourism literature.

A survey of Australian travel sector businesses was undertaken followed by interviews with six executives. The results indicate high level of interaction through alliances between the three sub-sectors and the two sectors of accommodation and transport in the Australian tourism industry. Company and executives’ characteristics were found to be influential in taking strategic decisions of whether to form alliances or not, choice of strategic alliance types, choice of alliance partners and alliance evaluation. However, company characteristics were found to be more influential than executive characteristics. This marks the difference between this study and other upper echelon studies, which have found executives characteristics as fundamental in the adoption of organisational strategy. Choice of alliance partners was also found to be influential in executives’ assessments of alliance performance.

Statement of Authorship

Except where explicit reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from a thesis by which I have qualified for or been awarded another degree or diploma. No other person's work has been relied upon or used without due acknowledgement in the main text and bibliography of the thesis.

Applicant	Supervisor
Date	Date

Acknowledgements

I am grateful to the University of Botswana who sponsored me to undertake this PhD project. Many people have generously contributed time, advice, information and assistance to this study and I am indebted to all. Special gratitude goes to:

Dr. Jerry Courvisanos (my principal supervisor and mentor), for his many invaluable insights, guidance, encouragement, patience and friendship throughout the supervision of this study; my associate supervisor, Associate Professor Ian Clark for his insights in the early stages of this study; academic and administrative colleagues in the School of Business at the University of Ballarat for their unfailing support, generous help in clarifying ideas, and assistance in debating ideas with me; Special thanks to Jackie Tuck for her insights in the analysis and help in language construction; Nadine Zacharias for her idea about the preface and critique particularly on the preface and the last chapter of this thesis; The Research and Graduate Studies Office staff; specialist statistics assistance from Dr. Jack Harvey, University of Ballarat and my PhD colleagues in the Schools of Business for their continued support and engagement with my thoughts. I offer my thanks to Barbra for the burden she had in taking care of the kids in my absence, and the support she gave for the completion of this thesis. To my sons Obakeng, Calvin and Tashatha for the patience and understanding they showed through the challenges of undertaking this PhD. Finally, I offer my thanks to Shane and Leane Stockdale without whom life in Ballarat could have been a nightmare.

Preface

In this thesis, I employ two styles of writing. The first style only in this preface I write in the first person, unusual for me but I have found it irresistible given the fact that this section is a reflection of my journey into the unknown - the decision to enrol for a PhD program and subsequently coming to Australia, to pursue this dream. However, from Chapter One until the end of this thesis, I write in the third person the style that I have been socialised since my academic childhood into this approach.

This thesis is premised on the ideas of pragmatism. How I came to choose pragmatism as a philosophy for researching social life was a journey that began at the University of Essex in 1995/96 under the discipleship of Professor Richard Laughlin and Dr. Jane Broadbent, themselves committed Habermas scholars who were open minded to explore various research philosophies. They generated my interest in debates about the social world and reality.

My interest in the social world as socially constructed fitted well with Herbert Blumer's symbolic interactionism. Symbolic interactionism has been a highly influential theory in sociology ever since it was coined by Blumer in 1937 when he wrote an article identifying Mead as a "Symbolic Interactionist." Symbolic interactionism represents a "relatively distinct approach to the study of human group life and human conduct" (Blumer, 1969, p. 1) which "is concerned with the emergence of meaning in human interaction. Meanings are the definitions that individuals attach to the full range of objects (i.e. physical, social, cultural, political) that comprise their life world. Meanings emerge through social interaction with others and the self, and ultimately become the basis of human and collective action" (Burnier, 2005, pp. 501-502). Blumer (1969, p. 35) argues that the social world is the actual group life of experience and consists of the action of human beings, and that it is the world of everyday experience of people as they meet the situations that arise in their respective worlds. According to this approach, the empirical world has a 'real' character, which appears in the 'here and now', and is continuously recast with the achievement of new discoveries, which is achieved through careful and honest study. Hence, for my Masters dissertation, I set forth on a short journey of a symbolic interactionist study of teams in a bureaucracy called *Teams in a Bureaucracy: A Case Study of A Local Borough Council in the South-East of London.*

Graduating from the University of Essex in 1996, I soon realised that my dissertation lacked basic statistical information that could have further enriched the qualitative data. To this end, I became more disgruntled with symbolic interactionism – both the two schools, the Chicago School with its emphasis on methodological purity that viewed qualitative data collection as the only means through which the social world can be accessed and understood, and the Iowa school's emphasis on M.H. Kuhn's twenty statements self attitudes test which cannot be used effectively to study complex areas like alliance formation and management.

When I enrolled for my PhD, I set out to find a methodological philosophy that I could identify with. These included but were not limited to critical theory and critical realism. Going back to Laughlin's (1995) methodological themes, in one of his diagrams a link was made between symbolic interactionism and pragmatism. Laughlin (1995) made a claim that pragmatism's ideas are essentially premised on the reflections of the Kantean/Fichte/Dilthy philosophical thought of the 'projection of our minds.' Laughlin (1995, p. 69) says this about pragmatism:

> that "typically American" (Kolakowski, 1972, p. 182) school of thought, following the thinking of Mead, James and Pierce, with its "getting-on-with-life" approach and its heavy borrowing from all and every way of thinking if it is deemed to be "relatively attractive" (Rorty, 1982) to the inquirer, can be seen to be located in this branching with its apparent belief in both subjective and objective dimensions to knowledge.

The link between pragmatism and symbolic interactionism is rooted in the social theory of the pragmatist George Herbert Mead (1853-1931), a philosopher who has remained a marginal figure in the circles of pragmatists. Herbert Blumer's symbolic interactionist approach was formed out of parts of Mead's work (Joas, 1990) as an attempt at providing symbolic interactionism with a legitimate symbolic figure (da Silva, 2006). Blumer was one of Mead's ex-students and perhaps the most prominent interpreter and devotee of Mead's philosophy. My masters dissertation was premised on Blumer's (1969) reconstruction of Mead's ideas from the point of view of a social scientist concerned with empirical research. Some of these ideas have had a strong impetus in this thesis and are reflected in Chapter Six, particularly Blumer's ideas on meanings and how they are handled through an interpretive process. The issue of methodological philosophy was therefore concluded with a firm understanding of the historical roots of pragmatism and how my previous work fitted in.

In my search for a methodological identity, I also came across mixed methods writers in the social sciences, psychology and education (Tashakkori & Teddlie, 1998; 2003; Teddlie & Tashakkori, 2003; Creswell, 2003; Creswell, Clark, Gutmann & Hanson, 2003a; Creswell, Trout & Barbuto, 2003b). Most of these authors emphasised the fact that mixed methods are best employed under pragmatism. My first impression with the few books and articles I read on pragmatism was that it was a confused philosophy without any direction. At first, I agreed with Downward and Mearman's (2004) view of pragmatism as a 'vague' philosophy that should not be relied upon, a view I later challenged. Rorty's (1991, p. 27) definition of pragmatism as "the claim that the function of inquiry is, in Bacon's words, to 'relieve and benefit the condition of man' – to make us happier by enabling us to cope more successfully with the physical environment and with each other" was an indication that there is something about this philosophy that is good for mankind. Recent debates between Powell's (2001, 2002, 2003) pragmatist views and those of essentially positivist scholars, Durand (2002) and Arend (2003) on the logical and philosophical foundations of competitive advantage helped me to set the scene for a pragmatist agenda in both tourism and management research.

The idea of pragmatism's emphasis on making social life better elated me. My values of 'making social life better' date back to my childhood. I grew up in rural Botswana where the principle of *botho/ubuntu* was a mind-set that glued communities together, even in times of unimaginable hardships. I was always reminded at home, to the point of indoctrination, that, 'A person is a person through other persons'. This ideal has shaped a great deal of my life. In the words of the former Archbishop of Cape Town, Desmond Mpilo Tutu (1999, p. 31), *botho/ubuntu*

> …speaks of the very essence of being human …It is to say, 'My humanity is caught up, is inextricably bound up, in yours.' We belong in a bundle of life. We say, 'A person is a person through other persons'. It is not 'I think therefore I am.' It says rather: 'I am human because I belong. I participate, I share'. A person with

> *ubuntu* is open and available to others, affirming of others, does not feel threatened that others are able and good, for he or she has a proper self-assurance that comes from knowing that he or she belongs in a greater whole and is diminished when others are humiliated or diminished, when others are tortured or oppressed, or treated as if they were less than who they are.

Pragmatism emphasises social harmony as the main essence for inquiry (Rorty, 1999), but I was shocked by the absence of research in both tourism and management based on this paradigm. I am yet to come across a paper in tourism, which claims to have used mixed methods with a pragmatist's lens. In 2005, I set the scene through my publication "Pragmatism: A methodological approach to researching strategic alliances in tourism", which appeared in *Tourism and Hospitality: Planning & Development*, Vol. 2, No. 3. Its objectives were not only to serve as a critique of Downward and Mearman's (2004) views concerning pragmatism but also to set an agenda for mixed methods research in tourism and management inspired by pragmatism.

My research topic started as "Strategic alliances in the tourism industry: enhancing competitiveness in the tourism industry in Botswana, South Africa, and Zimbabwe." The idea came out of a family trip in December 2002 to the Chobe Game Reserve, a major tourist destination in Botswana. The tour operator drove along the great Chobe River to a spot where wildlife was visible from a distance. There, he stopped to explain one of Southern Africa's colonial legacies, the creation of artificial boundaries that today the region's inhabitants have accepted as permanent and almost natural. His talk became the source of inspiration for me to find reason to study this topic. He said, "[t]hat head of buffalos over there is in Namibia, those animals there, they look like elephants from where I stand, are in Zambia. If you were to move just a little by boat, you see those trees over there, that is Zimbabwe, you guys must go to the Victoria Falls to see one of the world's wonders. It is only 78 kilometres from here. Of course, we are all watching this spectacle of nurture from the country of my birth – Botswana. This is the place our four countries constantly nurture each other through wildlife tourism, of course this glorious river provides life for all of us."

As I pondered more on "the place our four countries constantly nurture each other through wildlife tourism", the more I reflected on my fourth year strategic management course – a particular topic I just taught at the end of the semester – strategic alliances. The rest became a journey to further my understanding of strategic alliances and their significance. The second chapter of this thesis reflects this review. However, my ideas of the research site changed when I arrived in Australia, as I reflected more on ‘the tyranny of distance’. Researching on a place more than 13000 kilometres away could be difficult to one’s attempt to collect data. Hence, the choice to make my study Australian based. However, the idea of “the place our four countries constantly nurture each other through wildlife tourism” still vibrates in my mind. After graduating, I am going back to the place where my dream began “the place our four countries constantly nurture each other through wildlife tourism”. There I will follow up this research agenda with and among the people who live it.

I had hoped that my reading of the tourism literature would be coherent and straight forward. I must confess, 2003 was the first time I have ever read a tourism book. My thoughts were that just like the ‘mining industry’ (coming from one of the world’s largest diamond mining countries myself), the ‘tourism industry’ was a conceptually agreed upon industry. I was shocked by the level of disagreement on the concept. At first the terminologies of ‘tourism industry’ and ‘tourism industries’ were confusing. In my research proposal, a document submitted for PhD confirmation, I had consistently used ‘tourism industry’.

The 16th Annual CAUTHE Conference, held in Melbourne in 2006 completely changed my understanding. It was at this conference where Neil Leiper, one of Australia’s outstanding tourism management scholars, presented his paper "Why 'the tourism industry' is misleading as a generic term, and why the plural variant - 'tourism industries' - is preferable". His explosive attack on those who hold the view of ‘the tourism industry’ particularly Stephen L. J. Smith and big tourism bodies such as the World Tourism Organization was deeper than religious conviction. At the Cutting Edge Research in Tourism Conference held at the University of Surrey, UK, on the 6 – 9th June 2006, I shared a table with Neil Leiper’s prolific academic antagonist, Stephen L. J. Smith during a dinner session. Much of our discussion evolved around Leiper’s critique and I was shocked by the fact that throughout the thirty years of debate on the concept, they have never met but remain “good friends”. His keynote address “Duelling Definitions: Challenges & Implications of Conflicting International Concepts of

Tourism” addressed the same issues that Leiper focused on at the CAUTHE conference. Only this time, the emphasis was on tourism as an ‘industry’ though not in the ‘conventional sense’. I understood why the two most influential scholars in tourism have never met and why they have never been invited to an international tourism conference as keynote speakers at the same time. Tourism researchers and conference organisers have a high respect for these two figures and their ideas are held in high esteem. However, if this debate is to move towards a consensus, there is need for these scholars with differing views to share one forum where this issue can be aired.

This is how my topic “*Harambe: Strategic alliance formation and performance evaluation in the tourism sector of travel*” evolved. This thesis acknowledges the role played by company and executive characteristics in their quest to practice *harambe. Harambe* is a ki-Swahili term meaning “to pull together, or to work together or to pull the same rope together at the same time” in harmony (Murove, 2005, p. 169). The idea here is that companies pool their resources together through strategic alliances to be able to achieve their strategic goals and objectives. Even in the face of aggressive competition, *botho/ubuntu* – that idea of being ‘intractably bound up’ in a network of interdependence (Tutu, 1999) is enhanced through *harambe*. In the corporate world, this togetherness is effectively achieved through strategic alliances.

The last chapter of this thesis points to the fact that choice of alliance partners based on compatibility, commitment, control and trust enhances the benefits of ‘pulling together’, shown through alliance performance.

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Chapter One

Introduction

1.0 Introduction

The ‘tourism industry’ is operating in a complex, turbulent and dynamic environment with pressure to adapt and change in order to survive. In the last few years, tourism has been negatively affected by a barrage of problems, leading to international tourism arrivals falling by 1.2 per cent in 2003, the biggest annual drop ever (World Tourism Organization, [UNWTO] 2004). Some of these problems include the threat of international terrorism, the Iraq conflict, Severe Acute Respiratory Syndrome (SARS), and a persistently weak world economy (UNWTO, 2004). In addition to the above, many tourism-based businesses are facing increasing competition that forces them to seek competitive advantage, efficiency and profitable ways to differentiate themselves (Atilgan, Akinci & Aksoy, 2003). Some of these ways have been through strategic planning, transformational style of leadership, human resource management, franchising, and good financial management (Costa, Eccles & Teare, 1997); delivery of high-quality service to consumers (Atilgan et al., 2003); adoption of new information technologies (Gray, Matear & Matheson, 2002), and strategic alliances (Evans, 2001; Telfer, 2001).

The many challenges and the ways in which organisations are responding to them need persistent investigation with a will to enhance organisational efficiency, yet they cannot all be investigated at the same time. For this reason, this study endeavours to concentrate only on strategic alliances. A strategic alliance is defined as a purposive strategic arrangement between two or more independent organisations that forms part of, and is consistent with the organisation's overall strategy, and contributes to strategically significant objectives that are mutually beneficial (Pansiri, 2005a).

There is a plethora of studies in strategic alliances extending over two decades (such as Killing, 1982; Astley & Fombrun, 1983; Faulkner, 1995; Evans, 2001; Chung, Luo & Wagner, 2006). The concept of collaborating with partners through the formulation of strategic alliances has been an aspect of business strategy for many decades, and the scale of attention devoted to these alliances since the late-1980s has been significant (Johnson & Scholes, 1999; Evans, 2001). Modern organisations, both large and, small-to-medium-sized enterprises (SMEs) cannot always cope with increasingly complex environments characterised by global competition, information technology and increased customer sophistication from internal resources and competencies alone. There is need that they obtain materials, skills, innovation, finance or access to markets which may be done more effectively through cooperation (Johnson & Scholes, 1999).

Pressure to survive in an increasingly competitive, dynamic and complex environment with limited resources has led organisations to explore various forms of collaborations mainly strategic alliances, networks, and other hybrid organisational arrangements as alternatives to the more traditional internal development, diversification, merger and acquisition approaches (Dev, Klein & Fisher, 1996). Ohmae (1989a, p. 143) observes that "…companies are just beginning to learn what nations have always known: in a complex, uncertain world filled with dangerous opponents, it is not best to go it alone." In Doz and Hamel's (1998, p. 4) view, as "…princes and warriors have observed through the centuries, often the most painless way to neutralise potential foes is to bring them into one's own camp. Both competitors and 'complementers' need to be co-opted into coalitions." Therefore, organisations enter into strategic alliances in order to match and respond to the uncertainties and complexities of today's highly competitive globalised and technological driven business environment. Morrison and Mezentseff (1997, p. 351) maintain that:

> As companies are becoming aware of international competitiveness, organizations are striving to achieve sustainable competitive advantage through the initiation of strategic alliances... it is becoming more difficult for organizations to remain self-sufficient in an international business environment that demands both focus and flexibility.

The underlying reasons motivating companies to enter into alliances are varied and complex, and will be assessed in Chapter Three. Strategic alliance formations have been evident in many industries including manufacturing (Golden & Dollinger, 1993; Whipple & Gentry, 2000); banks (Lawrence & ul-Huq, 1998); retailing (Clarke-Hill, Robinson & Bailey, 1998); pharmaceuticals and vehicle manufacturing (Evans, 2001); R&D consortia (Doz, Olk & Ring, 2000); technological alliances (Tyler & Steensma, 1998); biotechnology (Baum, Calabrese & Silverman, 2000; Gulati & Higgins, 2003); engineering, software, bio-science technology, instrumentation electronics, analytical geological services (Sulej, Stewart & Keogh, 2001); software industry (Taylor, 2005); management consultancy (Chung et al., 2006) and information technology (Drago, 1997; De Laat, 1999).

A number of studies have considered the growth of collaborative arrangements in the tourism field in general (Poon, 1993; Go & Hedges, 1994; Morrison, 1994; Tremblay, 1998; Medina-Munoz & Garcia-Falcon, 2000; Evans, 2001). The natural synergy, which exists between tourism sectors of transport, accommodation, travel agencies, tour operators, entertainment, food, and beverages, makes it necessary for integration, collaboration and the formation of strategic alliances and networks through the consumption patterns of travellers (Garnham, 1997; Lafferty & Fossen, 2001). The various actors involved in the tourism industry "…tend to judge the destination according to the relationships that develop consciously or subconsciously, with other actors and their representatives at the destination" (Grängsjö, 2003, p. 430). Grängsjö further argues that tourists choose a destination according to which attractions it can offer and facilities provided, such as transport services to and from the destination, accommodation, restaurants and physical setting. While Grängsjö argues for a unified, holistic perspective concerning organisation at tourist destination level, she confirms that many companies are involved in widely different activities and as a result, some of them do not want to identify themselves with the tourism industry, and this makes it hard for them to co-operate in developing the image of the destination. This view is shared by Telfer (2001) who maintains that the tourism industry has been criticised for lack of communication between organisations.

A growing number of studies have concentrated on strategic alliances in diverse tourism sectors, majority of these considering airline alliances (Glisson, Gunningham, Harris & Di Lorenzo-Aiss, 1996; Chan, 2000; Evans, 2001), alliances in the wine tourism industry (Telfer, 2001); hotels (Morrison, 1994; Brown & Pattinson, 1995); tourism channels (Buhalis, 2000b; March, 2000); tourism and agriculture (Telfer, 2000) and travel agents (Deng, Lawson & Moutinho, 2000; Raymond, 2001). The very few studies that have looked broadly at strategic alliances in the tourism industry have a variety of limitations. For example, while the study by Dev et al. (1996) is broadly based - looking at alliances in the travel and tourism industry in the United Stated of America [USA], with emphasis on hotel brands, car rental brands and airline brands, its limitation is that it focuses only on one particular type of strategic alliances – marketing alliances. A study by Watkins and Bell (2002) examines the formation of business relationships between tourism organisations. This study's importance lies in its broad scope of the tourism industry. For example, it included commercial owner-operators drawn from the accommodation, attractions and travel sectors, executive officers of local, regional and state-level tourism industry associations, and tourism representatives within local government authorities and community groups with interest in tourism. While this study is important in informing scholars and practitioners in the field of tourism on how managers' experiences can be developmentally ordered on a continuum of relationships that demonstrate progressively more complex and inclusive approaches to forming relationships, its fundamental limitation is that it was a study limited only to regional tourism organisations in Queensland, Australia.

A qualitative empirical study by Riege, Perry and Go (2002) investigates international partnerships between travel and tourism organisations, airlines and their intermediaries such as wholesalers and travel agents. Their definition of partnerships encompasses strategic alliances, strategic co-operation, strategic networks and collaboration. They do not distinguish these concepts and seem to suggest that the four concepts could be used interchangeably. Despite this limitation, Riege et al. (2002) acknowledges the fragmentation of the tourism industry and the subsequent lack of linkages between its sectors. They argue that partnerships are important because tourism is becoming more international and most destinations have to compete at a global level. "Moreover, both producers and intermediaries are increasingly using information technology to increase their knowledge and relationship with customers" (Riege et al., 2002, p. 59). Their research involved 19 case studies based on in-depth interviews with 41 key players in Australia, New Zealand, the United Kingdom (UK) and Germany representing travel and tourism organisations, airlines and their intermediaries such as wholesalers and travel agents with a view to answering four research questions: (1) who are the partners and how are they linked together, (2) why do partnerships form, (3) what is the scope for further development of partnerships, and (4) how has the emergence of new communication technologies affected the development of the partnerships?

Their findings indicate that there are several ways of interaction and co-operation between industry partners on different levels in overseas markets. They also emphasise the importance of establishing, maintaining and managing industry partnerships. While there are many reasons for establishing partnerships, they found that tourism industry players try to see themselves 'as one big family', with partnerships rarely based on formal written agreements. "They were often perceived as informal partnerships based on trust rather than strict commitments based on a financial or commercial agreement, and varied considerably in function, complexity and length" (Riege et al., 2002, p. 70). They also found future scope for more cooperation with industry partners in overseas markets to enhance the level of effective marketing communication activities, which could be further enhanced by communication technologies.

While Riege et al. (2002) remains an important springboard upon which future research on strategic alliances could be based, its limitation is that the behaviours and diverse needs of different industry sectors are not shown, together with various alliance types in which industry players participate.

While there are a number of studies on strategic alliances in general and tourism in particular, much needs to be done particularly in understanding diverse alliances in tourism broadly, not limited to a specific sector of the industry, one type of strategic alliance (e.g. marketing alliances), or limited to a specific region. However, it is necessary to acknowledge that it is almost impossible to study strategic alliances in the whole tourism industry given the number of industry sectors, which form the tourism industry. One such sector that is central to the success of the tourism industry in any country is the travel sector. While the travel sector has played a significant role in Australia's economic development (Hall, 2003), not much has been done to find out the extent to which it has embarked upon and benefited from alliance formations. There is therefore a need to understand these alliances from the position of executives and managers since alliances are human constructs and not self-existing entities with intrinsic nature. For this reason, companies enter alliances depending on the meaning that the dominant actors in the firm (executives and managers) view as the importance of these alliances, largely influenced by their characteristics and perceptions.

1.1 Broad approach to the study

The significance and contribution of this study is twofold: firstly, to understand strategic alliance formations in the tourism industry in Australia with emphasis on the travel sector, and Secondly, to understand these formations in terms of company and executive characteristics, which only a few studies in strategic alliances have done. One such study is that by Tyler and Steensma (1998). This thesis borrows from the Tyler and Steensma's study of technological alliances that uses cognitive orientations of executive officers in assessing technological alliances to understand how top executives' behavioural orientations influence their attitudes toward strategic alliances formation in the tourism industry in Australia. The kinds of information they attend to when individually assessing potential and currently operational alliances their organisations are involved in will also be of major concern. The study investigates factors and/or elements, which may be considered most relevant in creation and maintenance of strategic alliances in the travel sector by taking into account companies and executives characteristics.

1.2 Research objectives

The research objectives of this study are in four interrelated phases:

a) To review related literature on strategic alliance formations in the tourism industry (and where relevant, in other industries) with a view of identifying common alliance formation practices and how they are formed.

b) To establish which drivers or motives (both internal and external to the organisation) as identified in the literature, influence the formation of strategic alliances in the tourism sector of travel in Australia.

c) To find out the role of company and executive characteristics in strategic alliance type selection, choice of alliance partners, and alliance performance outcomes in the travel sector.

d) To establish whether significant relationships exist between strategic alliance performance evaluation and choice of strategic alliance partners.

1.3 Research question

What are the effects of company and executive characteristics, on strategic alliance formation - strategic alliance selection, choice of alliance partners and alliance performance evaluation in the Australian travel sector?

1.3.1 Subsidiary questions

A number of sub-questions are also addressed:

a) What are the major motives for strategic alliance formation?

b) What are the relationships between company and executive characteristics with alliance decisions and alliance type selection?

c) What are the relationships between company and executive characteristics and choice of alliance partners?

d) Are strategic alliances in the travel sector effective?

e) What are the relationships between company and executive characteristics and strategic alliance performance evaluation?

f) What are the relationships between choice of alliance partners and alliance performance evaluation?

1.4 Significance of the study

This study's findings are important for a number of reasons. The study develops and tests a unique strategic alliance behavioural model, which may be applicable in other countries and industries. In addition, it attempts to broaden the very limited research into strategic alliances in the tourism industry. Most researchers have focused more on a particular type of strategic alliance, mostly marketing alliances, frequently, concentrating on a single sector of the tourism industry. Emphasis in research has been on the accommodation and airline sectors. Therefore, this study's second contribution lays in its broad empirical analysis of the travel sector (travel agencies, tour operators and wholesalers) of the tourism industry and its relationship with tourism sectors of accommodation and transport, taking into account different types of alliances.

In carrying out this research, dominant alliance types in the industry were identified, raising issues of industry dynamics and participants' behaviour. Emphasis is also placed on company and executive characteristics. Therefore, the findings of this study can be used in a variety of ways; firstly, the importance of alliances in small-to-medium-sized enterprises (SMEs) is brought to the fore. Recently, Chung et al. (2006) have made an appeal that time has matured for the research community to examine and ascertain the potential of strategic alliances among small firms because alliances can be used to help SMEs to overcome the disadvantages stemming from their limited size and scope. They observe that this would help small companies to compete with their counterparts, namely larger and more equipped firms as well as other small firms that do not participate in such alliances. Although this appeal is made in the light of knowledge-based firms, the same can be extended to SMEs in the travel sector. This study does just that. It identifies structural and behavioural elements, which SMEs could use effectively for competitiveness. Secondly, this study can be used as a basis for the preparation of executive training manuals/materials and modules with particular emphasis on SMEs. After all, 99 per cent of all Australian business fall under this category when the number of employees is used as a measure of size (Australia Bureau of Statistics, [ABS], 1997). Thirdly, this study can be used as a stepping-stone for further study in relation to the role of company and executive characteristics in the field of strategic alliances. Fourthly, both graduate and undergraduate students may find the study relevant for academic work related to tourism and cooperative strategies. Lastly, governments (both local, state and federal) and other parties involved in the development and promotion of tourism may use the findings of this study as additional information regarding how to make the industry in Australia more competitive in the global market.

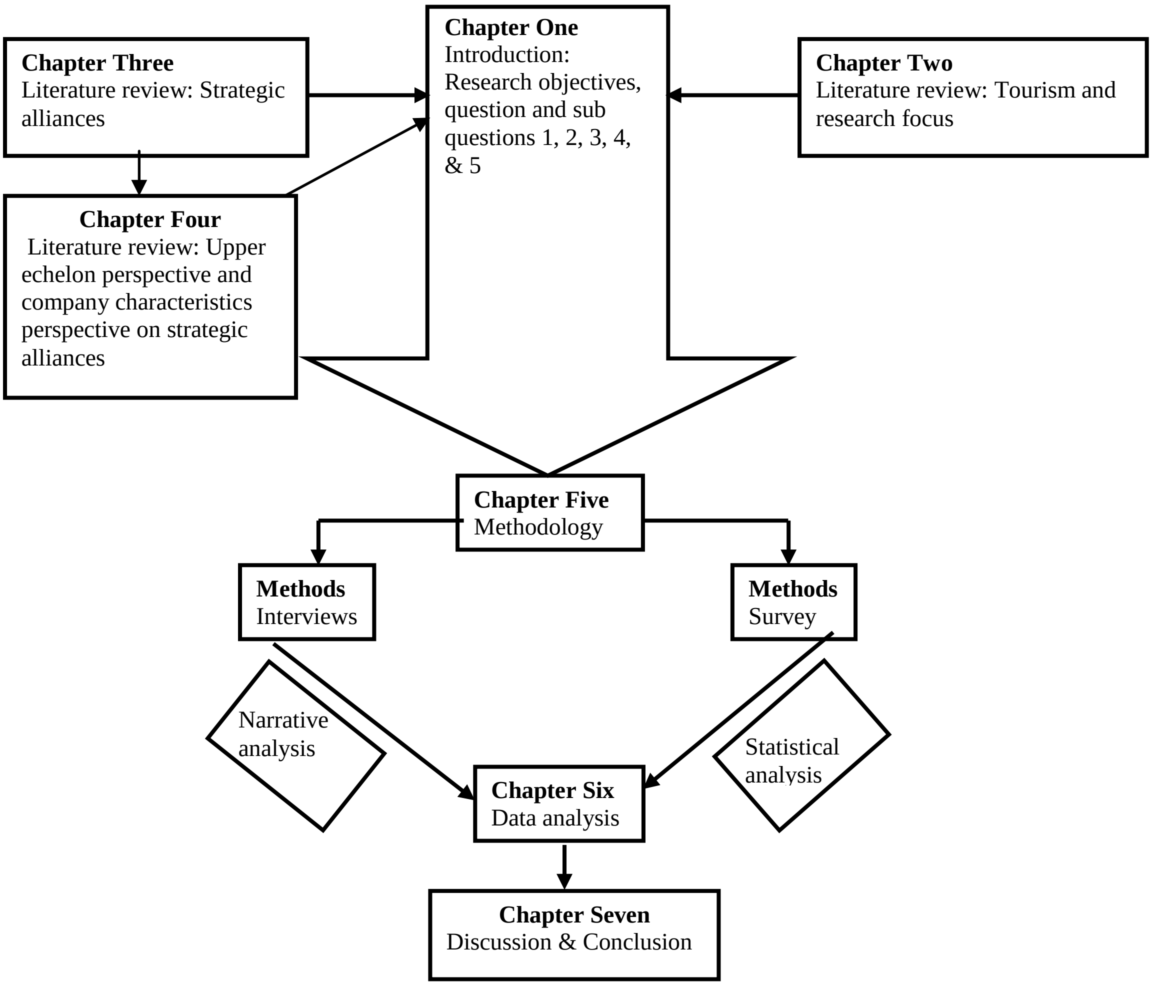
1.5 Study organisation

This chapter briefly outlines the focus of this thesis, setting out the research objectives and questions, and further sets the parameters of the work to be covered. This study as a whole is multidisciplinary. It integrates three broad streams of strategic management research areas – Strategic alliances, Upper Echelon perspective to understanding strategic decision making, and company characteristics. It further integrates issues by looking at three travel sub-sectors, which previous studies have studied in isolation – travel agencies, tour operators and wholesalers, and relates them to two broad tourism sectors of accommodation and transportation. This study's contribution to tourism studies should be understood from this background. To contribute further to the understanding of tourism businesses, this study investigates strategic alliance formation and evaluation by reflecting upon SMEs as a unique field of study. This helps to place the study in its proper context as 97 per cent of travel businesses could be classified under this category (Bolin & Greenwood, 2003). The methodological philosophy chosen, further reflected by the exploratory sequential mixed methods approach, attempts to make this study as robust as possible. Figure 1.1 shows the organisation of the thesis from the first chapter to the last.

Chapter Two is an overview of the tourism literature, with particular emphasis on Australia. In this overview, a definition of 'tourism' is offered. From this definition, two broad arguments in relation to whether tourism is an 'industry' or a collection of 'industries' are evaluated. From this debate, the three sub-sectors of travel (travel agencies, tour operators and tour wholesalers) are identified as the focus of this study. The selection of these sectors is made from the debate of 'tourism as an industry' and 'tourism as a collection of industries'. These two approaches agree on the central tourism 'sectors' or 'industries'. From the definition of tourism, two important concepts central to the scope of this study are defined – ‘tourism characteristic’ and ‘tourism connected’ industries. A brief evaluation of transport and accommodation sectors is also made. In this chapter, it is further argued that because of the complexity of the tourism industry, this study concentrates on ‘tourism characteristic’ industries in the travel sector. Reasons are advanced as to why this particular sector has been chosen, such as the fact that the travel sector would either cease to exist in its present form, or would be significantly affected if tourism were to cease (Bolin & Greenwood, 2003) and its centrality to tourism success taking into account the general consensus that tourism activity involves three elements – transport, hospitality and activities (Howard & Harris, 2001). The fact that the use of information technologies does profoundly affect the nature and form of this sector is also argued. This chapter further looks at the impact of tourism in the Australian economy and concludes with a discussion of travel agencies, tour operators and wholesalers.

Chapter Three develops a framework to study strategic alliances in the tourism industry from six broad perspectives - drivers [internal and external], alliance types, choice of alliance partners, alliance structure, and alliance performance outcomes. This framework, based on the work of Evans (2001) forms the basis of this chapter, which reviews the literature on strategic alliances. The assumption behind the framework is that to understand alliance types and choices of alliance partners, for example, there is a need to recognise the drivers influencing organisations to embark on such alliances. Furthermore, it assumes that the choices made (both of alliance types and partners) influence the type of alliance structures adopted, leading to certain levels of success (measured in terms of executives’ assessments). Depending on analysis of alliance performance, organisations decide to continue or terminate the alliance, forge new alliances, embark on mergers and acquisitions or ‘go it alone’. It is this dynamic complexity of collaborative strategic management process, based on feedback analysis, which leads to development and growth of the tourism industry. The variables that are considered in this framework are wide and varied. It is therefore beyond the scope of this work to study all these factors. Only thirteen drivers are studied. In addition, eight strategic alliances types are considered. Factors that influence the choice of alliance partners are also evaluated. Four types of alliance structures are evaluated in the literature review. Strategic alliance evaluation is assessed with a view of finding out whether alliances organisations are embedded in help these organisations to achieve the objectives they have set beforehand. This chapter concludes with a discussion on strategic alliances in the tourism industry. Using Tremblay's (1998) framework, various possible alliance formations are discussed.

Figure 1.1 Structure of thesis



Chapter Four develops the theoretical relationships between strategic alliance theory and executive, and company characteristics. In this chapter, the premise informing the research objectives, question and sub questions is set out. A framework is developed where it is argued alliance practices are highly influenced by executive and company characteristics. A review of the upper echelon (executive) perspective is conducted linking it into strategic alliance formation. Further, review of the company characteristics perspective links certain strategic decisions to company profiles. Based on these, a theoretical understanding of how these differing factors influence strategic alliances is discussed. The chapter concludes with an identification of a number of company characteristics, which are central to this study.

Chapter Five begins with an evaluation of methodologies used in both management and tourism research. From this appraisal, pragmatism is identified as a philosophy to guide this research process, using mixed methods of data collection. A framework is also developed to link the research process to the theories under investigation. This framework ensures the structure of the study sits within the relationships between company and executive characteristics, and strategic alliances. This chapter also outlines the methods used to collect both quantitative and qualitative data together with challenges, which were faced by the research when collecting data.

Chapter Six begins with an outline of the statistical tools and qualitative data analysis techniques used to analyse data. Survey data are further reduced through factor analysis to manageable size to allow for analysis. Relationships within and between travel agencies, tour operators and wholesalers are assessed. Further assessment of relationships between these three sub-sectors and the transport and accommodation sectors is completed. Relationships between company and executive characteristics and alliance factors is assessed with a view to answering the six subsidiary questions asked in Chapter One. Study results indicate high level of interaction through alliances between the three sub-sectors. The findings point to the fact that companies enter alliances for a variety of reasons and strategic alliances are important for competitiveness. The findings also show that both company and executive characteristics influence strategic alliance processes though company characteristics were more influential than the latter. Choice of alliance partners was found to be influential in managerial assessments of alliance performance.

Chapter Seven presents the conclusions for the study and discusses the wider implications of the findings for tourism businesses and future directions in research and management practice, SMEs and policy makers. This is argued within a new framework that accommodates all the factors under study. In discussing the conclusions, the contribution this study makes to strategic alliances literature and practice is assessed. Limitations of the study are also discussed. The chapter ends with an assessment of avenues for future research and directions relating to strategic alliance practice.

Chapter Two

Review of the literature on tourism

2.0 Introduction

This study is conducted in the Australian 'tourism industry'. This chapter defines 'tourism', and from this definition, the 'tourism industry' is conceptualised as a wide and complex collection of 'industries'. Furthermore, the impact of tourism to Australia's economy is assessed. The travel sector (travel agencies, and tour operators and wholesalers) is then singled out as the sector on which this study is based. Its impact is assessed and two other sectors, those of accommodation and transport, are briefly outlined as this study also investigates from the relationships these two latter sectors have with that of travel.

2.1 Definition of tourism

There is no single definition of tourist that is accepted by the majority of researchers interested in tourism (Smith, 1995; Leiper, 2004; Harris & Howard, 1996). Yet it is apparent that the definition of tourism depends largely on how a tourist is defined (Weaver & Lawton, 2002). The case of *Cowan v. Tresor Public* as cited by Bill and Pepper (2006, p. 266) attempted to define a tourist by arguing that "whether or not a person is a tourist, depends on the general manner of the services received during the journey, which is determined at the beginning of the journey." Hence a tourist is defined as a person who travels temporarily away from his/her usual environment (usually defined by some distance threshold) for at least one night for certain qualifying purposes which include a search for leisure experiences from interactions with features or characteristics of places they choose to visit (Weaver & Lawton, 2002; Leiper, Stear & Hing, 2004).

Tourism has therefore been conceptualised from the activities of tourists and institutions which seek to give tourists experiences they seek to achieve. Lavery (1989, p. 1) quotes Airey's (1981) definition of tourism as "…the temporary short-term movement of people in destinations outside the places where they normally live and work, and their activities during the stay at these destinations; it includes movement for all purposes as well as day visits or excursions." Burkart and Medlik (1981) broadened the above definition to include various forms of business and vocational travel, which do not lead to permanent residence or to employment remuneration from within the destination visited.

The Australian Bureau of Statistics [ABS] (1996, p. 136) argues that:

> …tourism is best seen statistically as a 'demand' side activity; defined in terms of the activities of a particular type of consumer. It involves the purchase or consumption by visitors of any commodity. It is therefore not confined to particular commodities or to particular economic activities on the 'supply' side. It could include for example purchases of services from transport and tour operators, accommodation establishments, theme parks and attractions, entertainment and arts venues, museums and historical sites, cafes and restaurants, casinos, travel agents and retailers. Because of this it is not an industry in the traditional sense of an industry comprising businesses mainly undertaking a similar economic activity.

The Commonwealth of Australia (2002; 2003; 2003) looks at tourism from the elements of tourism described in conventional terms of 'supply' and 'demand.' 'Supply' is seen as involving companies, which deliver tourism products and services, including tour operators and travel agents, and companies for which tourism is not the main focus of business, but a component, such as accommodation, restaurants and cafes. From this perspective, whether a product qualifies as a tourist product depends on whether the product qualifies for inclusion as a tourist product, depending on the nature of the consumer.

From the 'demand' perspective, the defining element of tourism is not the type of commodity product but the status of the consumer as visitor. Therefore the supply of any product to a person who is a tourist is perceived as a tourist activity, while the supply of the same product to a person who is not a tourist is not a tourist activity (ABS, 1999a; 2003b).

Weaver and Lawton (2002, p. 3) place tourism in a broader stakeholder context and see it as "…the sum of the phenomena and relationships arising from the interaction among tourists, the tourism industry, host governments, host communities, origin government, universities, community colleges and non-governmental organisations, in the process of attracting, transporting, hosting and managing these tourists and other visitors." Leiper (1981) takes an open systems definition of tourism in terms of five elements - a dynamic human element; tourists; three geographical elements: generating region, transit route and destination region; and an economic element, interacting with the broader environment (physical, technological, social, cultural, economic and physical factors). He argues that this dynamic element comprises persons undertaking travel which is to some extent leisure-based, and which involves a temporary stay from home of at least one night.

This thesis takes a broad perspective by placing tourism in the broad and complex relationships between tourism and diverse stakeholders. Such a definition is essential not only in investigating relationships between diverse travel sector players in the process of attracting, transporting, hosting and managing tourists but also in the conceptualisation of tourism as an industry.

2.2 The tourism industry

The concept 'tourism industry' has been a source of debate for many decades. The debate has centred on what constitutes the 'tourist industry' since it is fragmented. Some authors have even argued that to say tourism is an industry is a misconception since it is "…an agglomeration of land development and programs designed to meet the needs of travellers" and is made up of more than one business sector (Gunn, 1994, p. 6). Leiper (2006) identifies three positions among academics which differ regarding whether tourism is an industry. The first group is made up of those who reject the idea of any industry directly linked with tourism, the second, who are in the majority argue that there is an industry, a very large one, while the third group is catching on and argues that there are multiple tourism industries.

The debate and conceptualisation of tourism as an ‘industry’ or collection of ‘industries’ is best understood with the argument between Smith (1988; 1991; 1993; 1995; 1998) and Leiper (1979; 1990; 1993; 2006). Smith’s supporters include but are not limited to Burkart and Medlik, (1981); Lavery (1989); Gunn (1994); Goeldner, Ritchie and McIntosh (1995); and Bennett (2000). Their view of tourism as a single industry is widely supported by newspapers, magazines, governments, tourism bodies (both governmental and non-governmental), and business. Higgins-Desbiolles (2006) observes that people are more readily accepting the notion of tourism as an industry following years of hearing the term repeatedly.

Smith (1998) sums up the debate between himself (1991; 1993) and Leiper (1993) as follows:

> The positions are, in a nutshell: Smith asserts that, while tourism is not a conventional industry, it can be defined and measured in a way that is consistent with other industries; Leiper counters that tourism is best viewed as a mix of industries that have varying involvement in the provision of services to visitors, and should not be characterized as a single industry, conventional or otherwise.

Hall and Kearsley (2001, p. 107) argue that the pursuit to define ‘the tourism industry’ and its scope is not just a dry academic exercise but has significant implications for how tourism’s economic impact is measured, its influence on government, and its organisation. They cite Williams and Shaw who noted that:

> …the definition of tourism industry is crucially important. In most countries tourism is ‘statistically invisible’ and usually, only the most obvious sectors or those exclusively devoted to tourists are enumerated in official tourism data. Inevitably, this tends to be the accommodation sector and, perhaps cafés and restaurants. Yet the tourism industry is far larger than this. Tourists also spend money directly on recreational facilities, tourist attractions, shops and local services. In turn, these have indirect effects on agriculture, wholesaling and manufacturing, while secondary rounds of spending of tourism create induced linkages in the economy.

Smith (1988, p. 145) defines tourism as "the aggregate of all businesses that directly provide goods and services to facilitate business, pleasure, and leisure activities away from the home environment." Smith (1998, p. 32) argues that the implication of a supply-side definition is that "such a definition would be fundamental to any consideration of tourism as an industry". Smith's attempt is to have the industrial definition of the 'tourism industry' comparable with all industries by focusing on the "supply side" of the definition, paying particular attention to the commodities that tourism produces. Hall and Kearsly (2001, p. 107) observe that:

> Three key features emerge in an examination of Smith's definition which combine to provide a conceptualisation and measurement of tourism that is consistent with that applied to other industries:
>
> - The tourism industry is regarded as essentially a service industry
> - The inclusion of business, pleasure, and leisure activities emphasises 'the nature of goods a traveller requires to make the trip more successful' (Smith 1988: 183)
> - The notion of a 'home environment', referring to the arbitrary delineation of a distance threshold or period of overnight stay.

This supply side approach is related to current attempts by governments to develop Tourism Satellite Accounts [TSA] (Hall & Kearsly, 2001), a system developed by the UNTWO department of Statistics and Economic Measurement of tourism (Libreros, Massieu & Meis, 2006). In adapting TSA, the Australian Bureau of Statistics (ABS) has taken a more practical approach to resolving definitional issues. The ABS is less academic in its definitions and conceptualisation of tourism as an 'industry'. The latest version of the *Framework for Australian Tourism Statistics* (ABS, 2003a) observes that the framework provides not only guidelines which encourage consistency and compatibility in the collection and publication of tourism statistics in Australia but also a 'common language' for all users and collectors of tourism statistics which, it is hoped, will increase the value of the available ABS data by enabling compatibility and comparability of results from all tourism statistics collections. In adopting this 'common language', the ABS refers to tourism as an 'industry' but acknowledges the fact that while other industries are classified in accordance with the commodity that they produce, the 'tourism industry' depends on the status of the consumer as visitor. The ABS (2003a, paragraph 17) argues that:

> [t]he supply of any product to a person who is a tourist is a tourism activity, while the supply of the same product to a person who is not a tourist is not a tourism activity. This is a demand concept in national accounting terms. This means that tourism is not an industry in the traditional sense.

The ABS maintains that although tourism is commonly thought of and referred to as an industry, it does not fit within the traditional classification of industries in accordance with the goods and services that they produce (Bolin & Greenwood, 2003; ABS, 2003b), because it embraces a diverse range of providers and users of a variety of goods and services, and overlaps with other sectors of the economy. The ABS (2003a; 2003b) also refers to various tourism suppliers as 'industries'. Though practical, the 'common language' that the ABS has adopted is problematical because it refers to tourism as an 'industry', made up of different 'industries'. Logically it falls short of common sense but it is probably the best practical 'common language' that could be able to explain the level to which tourism is difficult to deal with. This classification may in the end leads to problems in aggregating the contribution of different industries (tourism included) to Australia's economic development. Despite these logical problems, this thesis adopts the ABS definition of tourism since it enables usage of ABS data and the long run problems do not affect the nature of this study.

The ABS (2003b) further developed the concept of 'tourism related' industries. These industries are defined as those industries whose products are strongly associated with tourism and are classified into 'tourism characteristic'[1] industries (at least 25 per cent of output is purchased by visitors) and 'tourism-connected'[2] industries (less than 25 per cent of its output is purchased by visitors, but a significant proportion of output is consumed by locals).

Tourism-characteristic industries have been listed to include travel agency and tour operators, taxi transport, air and water transport, motor vehicle hiring, accommodation, and cafes, restaurant and takeaway food outlets. Tourism connected industries include

[1] Those industries that would either cease to exist in their present form, or would be significantly affected if tourism were to cease. For an industry to be classified as 'characteristic', at least 25 per cent of its output must be consumed by visitors (ABS, 2003b, p. 5)
[2] Those industries other than those classified as 'tourism characteristic' for which a tourism related product is directly identifiable, and where the products are consumed by visitors in volumes which are significant for the visitor and/or the producer (ABS, 2003b, p. 5).

clubs and pubs, food manufacturing, automotive fuel retailing, casinos and other gambling services, libraries, museums and arts, and education (ABS, 2003b; Commonwealth of Australia, 2002, pp. 4-5).

The ABS (2003b) further notes that there are a number of significant-tourism sectors such as attractions and meetings and incentives, conventions and exhibitions which do not neatly fall into the above definitions but consume products from a number of tourism related industries, together with many other businesses which may derive a smaller, but nonetheless significant, component of their returns from visitors or visitor activities. All of those businesses form part of the wider ‘tourism industry.’ From this perspective, the Australian tourism industry is therefore made up of the following sectors: accommodation, travel and tour operators, national, regional and local tourism bodies, attractions, casinos and gaming, manufacturing, business travel, eating and drinking establishments, and education.

Table 2.1 shows the total number of tourism businesses in Australia in 1998. Of the 353473 total tourism related businesses, only 17 per cent of them are tourism characteristic industries. This table also shows that the majority of businesses in tourism are SMEs, accounting for 91 per cent of the total tourism related businesses. What this means is that any research on these businesses must take into account firstly, the fact that they are SMEs behaving differently from large companies. Secondly, there is a great deal of interdependence between sectors, for instance, unavailability of transport to bring people to a destination means that other service can not function, and inadequate accommodation and food services or tour operators means that other sectors i.e. transport will wither. For this reason, the definition of tourism should take into consideration the various groups, composite of activities, services, and industries that deliver a travel experience; transportation, accommodation, eating and drinking establishments, shops, entertainment, activity facilities, attractions (both natural, man-made and socio-cultural), the tourist, the government of the host community and the host community, and other hospitality that participate in and are affected by the tourism industry, and the relationships arising from their interaction in the process of attracting and hosting tourists and other visitors.

Table 2.1: Number of businesses by industry classification and business size in Australia, 1998[3]

ANZSIC industry [a]	Micro business[b]	Small Business[c]	Medium to large businesses[d]	Total businesses	Micro and Small businesses as a percentage of total	Proportion of total tourism related businesses (per cent)
Tourism Characteristic industries						
Travel agency and tour operator services	3968	1226	152	5346	97	2
Taxis transport	2040	377	55	2472	98	1
Air and water transport	1421	510	237	2168	89	1
Motor vehicle hiring	732	207	51	990	95	0
Accommodation	5478	2850	830	9158	91	3
Cafes and restaurants	10501	9271	1721	21493	92	6
Takeaway food retailing	11528	5135	1764	18427	90	5
Total tourism characteristic industries	35668	19576	4810	60054	92	17
Tourism connected industries						
Clubs, pubs, taverns and bars	3289	4686	2043	10018	80	3
Other road transport	22805	4160	918	27883	97	8
Rail transport	1310	286	210	1806	88	1
Food and beverage manufacturing	1813	1837	1411	5061	72	1
Transport equipment and other manufacturing	31686	19075	7551	58 312	87	16
Automotive fuel retailing	3936	3866	208	8010	97	2
Other retail trade	90390	36548	5218	132156	96	37
Casinos and other gambling services	1862	790	57	2 709	98	1
Libraries, museums & arts	4198	1130	387	5715	93	2
Other entertainment services	10606	3541	1327	15474	91	4
Education	9620	6878	5912	22410	74	6
Ownership of dwellings	3417	337	111	3865	97	1
Total tourism connected	184932	83134	25353	293419	91	83
Total tourism related	220600	102710	30163	353473	91	100

a. Australian and New Zealand Standard Industrial Classification.
b. Micro businesses are businesses employing four or less persons.
c. Small businesses are businesses employing between 5 and 19 persons.
d. Medium to large businesses are businesses employing 20 or more persons.

Source: Bolin and Greenwood (2003, p. 5).

It is from this classification that the total number of tourism related businesses has been calculated. However, what is not clear is whether the contribution of tourism to Australia's economic development is solely calculated from these industries, or whether the multiplier effect (to be discussed in the next section) is taken into account. If

[3] There are no recently compiled figures to show this classification.

multiplier effect has been taken into account then the formula on which the figures on the economic contribution of tourism have not been fully explained.

2.3 The impact of tourism in Australia

Tourism has been recognised as an engine of growth for many countries (Sharpley, 2002; Vanegas & Croes, 2003). Proponents of this school of thought claim that tourism provides much-needed foreign exchange, creates jobs and generates government revenue (Vanegas & Croes, 2003). Tourism has played a major role in Australia's economic development. Both inbound and domestic tourism have contributed significantly to the national and regional economies. However, measuring the impact of tourism on the Gross Domestic Product (GDP) and economic growth is problematical because of leakages and the difficulty of estimating the multiplier[4] (Ayres, 2000), and the fact that tourism statistics are estimates subject to several errors and produced with differing levels of accuracy (Lundberg, Krishnamoorthy & Stavenga, 1995). Lundberg et al. (1995) also argue that tourism statistics are further fraught with problems of definition because tourism is a composite industry made up of several other industries. Notwithstanding these problems, Ayres argues that estimates from planning and statistics bureaus can still be used to indicate the impact of tourism in an economy. Briefly, since 1997/89, the ABS has published annual Australian Tourism Satellite Account (ATSA)[5], which contain estimate of tourism's direct economic contribution to the national economy.

Table 2.2 provides a summary of figures showing the total contribution of tourism from 1997/98 to 2001/02. Tourism accounted for nearly $32.5 billion of total GDP[6] of $891.5 billion in 2004-05. This represents a 3.7 per cent share of GDP and is the lowest share of GDP since the ATSA was first compiled in 1997-98. The tourism industry share of total

[4] The 'multiplier effect' is concerned with the process in which expenditure on tourism filters throughout the economy, stimulating other sectors as it does and can be regarded as "a coefficient which expresses the amount of income generated in an area by an additional unit of tourist spending. …It is the ratio of direct and secondary changes to the initial change itself" (Hall, 2003, p. 236).
[5] TSA is part of a worldwide effort by national statistics organisations to quantify tourism's contribution to the national economy.
[6] ABS (April 2006, p. 3) notes that "tourism GDP represents the total market value of Australian produced goods and services consumed by visitors after deducing the cost of goods and services used in the process of production."

industry Gross Value Added[7] (GVA) declined from 4.5 per cent in 1997-98 to 3.9 per cent, representing the lowest share since the ATSA was first compiled.

Table 2.2: Tourism industry share of gross domestic product (GDP)

Direct contribution	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Tourism gross value added at basic prices *($m)*	21 894	23 054	23 994	25 044	25 250	25 939	26 016	26 479
plus Net taxes on tourism products *($m)*	3 048	3 213	3 321	5 817	5 637	6 041	5 935	6 083
equals tourism GDP *($m)*	24 942	26 267	27 316	30 861	30 887	31 980	31 952	32 562
Gross domestic product *($m)*	577 422	607 863	645 153	689 340	735 783	782 798	838 251	891 524
Tourism share of gross value added [a] *(%)*	4.1	4.1	4.0	4.0	3.8	3.6	3.4	3.2
Tourism share of gross domestic product[b] *(%)*	4.3	4.3	4.2	4.5	4.2	4.1	3.8	3.7

a. Only the direct tourism shares are included here. For an activity to be included as tourism, there must be a direct relationship between the visitor and the producer of the good or service.

b. Percentage change on preceding year.

Source: ABS (April 2006, p. 10).

2.3.1 The inbound tourist market

The number of international tourists visiting Australia has risen rapidly in the past thirty years (Hall, 2003, p. 86). The major area of significant growth for short-term arrivals has been New Zealand, Japan, the UK and North America. Table 2.4 shows the major Australian tourism market between 1995 and 2004. Combined, Asia (China, Japan, Singapore, South Korea and other Asian countries) remains the largest major Australian tourism market, accounting for 40.7 per cent of international tourist arrivals in 2004. These figures also show that international tourism arrivals have increased from 3,726 million in 1995 to 5,215 million in 2004. Hall, (2003) argues that although still significant, the ‘traditional’ markets of New Zealand, UK and Ireland, Europe, and the USA are declining in relative importance as Australia becomes more closely integrated with the economies of the Pacific Rim.

[7] The DVA is calculated as the value of output at basic prices minus the value of intermediate consumption at purchasers’ prices.

Faulkner and Walmsley (1998) argue that the growing significance of inbound tourism in the Australian economy is a corollary of a combination of factors operating at the global, regional (Asia-Pacific), and local levels. At the global level, they argue that there has been widespread and sustained economic growth particularly in North America, Western Europe and East Asia, which has resulted in increasing levels of affluence and thus an increasing interest in, and the ability to undertake travel. They further argue that this growth has been accompanied by general improvement in conditions of employment, with such benefits as paid annual leave, incentive travel packages, and generous retirement conditions. According to Faulkner and Walmsley, innovations in transport and communication technology, and advances in information technology such as computerised reservation systems (CRS) have made it easier for overseas travel itineraries to be organised.

At a regional level, Faulkner and Walmsley see Australia's geographical proximity to emerging markets (South Asia and East Asia-Pacific regions which have experienced very strong growth in tourism since 1950) as an important contributing factor to the country's spectacular growth in international visitor arrivals (see Table 2.4). Faulkner and Walmsley (1998, p. 94) also maintain that there are several local factors which have made it possible for Australia to take advantage of relative proximity to "the bourgeoning Asian market." These include Australia's move in expanding tourism infrastructure and upgrading services to internationally competitive standards - making Australia gain a competitive edge over many of her Asia-Pacific neighbours, depreciation of the Australian dollar against major currencies - making the Australian tourism products cheaper in world markets, aggressive marketing, and 'hallmark' events (i.e. the 2000 Olympic Games).

2.3.2 Domestic tourism

The domestic tourism market in Australia is the main driver of growth for the industry, accounting for at least 75 per cent of the total tourism sector in terms of visitor nights and contribution to GDP (Fairweather, 2002, p. 15; Department of Industry Tourism and Resources, 2003, p. 2). Australia's domestic tourism market consists of two main segments, namely overnight travel, which accounts for 75 per cent of the domestic tourism market and day travel (Fairweather, 2002, p. 15). Table 2.3 shows the total inbound and domestic economic value based on ABS ATSA consumption estimates. This table shows that the main driver of growth for the industry is domestic tourism, contributing $56.5 billion compared to $17.7 billion of inbound tourism in 2004. The Tourism Forecasting Committee [TFC] (2005, p. 66) observes that there are varying economic and social factors driving the downward trend in domestic activity and, subsequently, economic value and the recent and forecast strong growth in outbound travel. These factors include but are not limited to: actual and anticipated interest rate rises; asset price bubbles; increases in household savings; changes to the labour market; busier lifestyles; competition from other goods and services and tourism's declining share of 'wallet'; increasing fuel costs; solid growth in Australian inbound tourism; continued strong demand for outbound travel; and recent strength of the VFR market.

Table 2.3: Total inbound and domestic economic value

Year	TIEV[a] Real[c] $b	TIEV[a] Change per cent	TDEV[b] Real[c] $b	TDEV[b] Change per cent	Total real[c] per cent	Total change $b
1998	-	-	56.5	-	-	-
1999	16.8	-	58.8	4.2	75.6	-
2000	18.2	8.5	60.6	3.1	78.9	4.3
2001	19.0	4.2	59.7	1.5	78.7	0.2
2002	18.6	2.1	59.4	0.6	78.0	0.9
2003	17.1	8.3	57.0	3.9	74.1	5.0
2004	17.7	3.6	56.5	1.0	74.1	0.1
2005	**18.4**	**4.3**	**55.5**	**1.8**	**73.9**	**0.4**
2006	**19.4**	**5.5**	**56.5**	**2.0**	**76.0**	**2.8**
2007	**20.6**	**6.2**	**57.7**	**2.0**	**78.3**	**3.1**
2008	**21.8**	**5.5**	**58.6**	**1.6**	**80.3**	**2.6**
2009	**23.0**	**5.6**	**59.4**	**1.5**	**82.4**	**2.6**
2010	**24.4**	**6.3**	**60.5**	**1.8**	**85.0**	**3.1**
2011	**26.1**	**6.7**	**61.0**	**0.7**	**87.0**	**2.5**
2012	**27.9**	**6.8**	**61.6**	**1.0**	**89.5**	**2.8**
2013	**29.9**	**7.3**	**62.0**	**0.6**	**91.8**	**2.7**
2014	**32.2**	**7.9**	**62.3**	**0.6**	**94.6**	**3.0**
Growth in economic value ($b)						
00	-0.6		-4.2		-4.7	
05	**4.6**		**4.0**		**8.5**	
10	**7.8**		**1.8**		**9.6**	
Growth in economic value (per cent)						
00	-3.1		6.9		-6.0	
05	**23.3**		**3.7**		**8.4**	
10	**31.9**		**3.0**		**11.3**	
Average annual growth (per cent), 2005 to 2014						
	6.4		**1.3**		**2.8**	

Numbers in bold are forecasts

[a]Total inbound economic value: based on ABS ATSA consumption estimates

[b]Total domestic economic value: based on ABS ATSA consumption estimates

[c]constant dollars, inflation adjusted

Source: TFC (2005, p. 80).

Table 2.4: International tourist arrivals 1995-2004

	New Zealand	Japan	UK	USA	Singapore	China	South Korea	Other Asia	Other Europe	Rest of the World	TOTAL '000	% Annual Change
1995	538	783	348	305	202	43	168	676	404	259	3726	
1996	672	813	368	317	223	54	228	772	431	287	4165	11.82
1997	686	814	411	330	239	66	234	775	464	299	4318	3.72
1998	709	751	468	374	247	77	67	647	483	344	4167	-3.52
1999	729	707	528	417	267	93	109	691	543	375	4459	7.02
2000	817	721	580	488	286	120	157	735	614	413	4931	10.62
2001	815	674	617	446	296	158	176	713	563	398	4856	-1.52
2002	790	715	643	434	287	190	190	696	539	357	4841	-0.32
2003	839	628	673	422	253	176	207	653	539	355	4745	3.6
2004	1033	710	676	433	251	251	212	699	568	382	5215	9.92
2005	**1110**	**689**	**717**	**456**	**274**	**286**	**250**	**751**	**603**	**412**	**5548**	**6.42**
2006	**1140**	**720**	**749**	**485**	**283**	**335**	**271**	**800**	**632**	**445**	**5860**	**5.62**
2007	**1171**	**737**	**779**	**515**	**293**	**401**	**294**	**852**	**672**	**475**	**6189**	**5.62**

Number in bold are forecasts
Other Asia includes all Asian countries except Japan, Singapore, China, and South Korea.
Other Europe includes all European countries except the UK.
Rest of World comprises countries not included in the above two groups and not individually listed in the table.

Source: TFC (2005, pp. 10-11).

2.4 The travel sector

Due to the definitional complexity of the tourism industries as discussed above, this study centres on the 'tourism characteristic' sector of travel (travel agency, tour wholesalers and tour operator services). These are organisations with business strategies for tourism (Leiper et al. 2004) and are central to tourism. This discussion further links these three sub-sectors to the other two 'tourism characteristic' industries or sectors of accommodation and transport. The discussion on this section concludes by arguing that for these sectors, and indeed the whole tourism industry in Australia to be more competitive, there is need for more cooperation, collaboration and networking, which in practice has taken many forms including formation of strategic alliances. The choice for these industries has been influenced by various considerations, which include the fact, that:

a) These industries would either cease to exist in their present form, or would be significantly affected if tourism were to cease (Bolin & Greenwood, 2003). The TSA as developed by the ABS in 2000 lists these industries as having at least 25 per cent of their output being consumed by visitors (ABS, 2000).
b) Travel agency and tour operator services are central to tourism given their role as intermediaries located on the consumer product interface. They influence the development of tourism systems with the destination region (Weaver & Lawton, 2002). Tour operators (wholesalers) provide a package of services for the consumer, including some combination of accommodation, transportation, restaurants, attraction visits which are then sold directly to customers, indirectly through other intermediaries like travel agents, or both (Weaver & Lawton, 2002; Hall, 2003). Travel agents (retailers) sales provide retail services to customers for commission on behalf of various tourism principals. Weaver and Lawton (2002) also argue that travel agents' other important role in shaping tourist systems is through providing undecided consumers with information and advice about prospective destinations while on the other hand consolidating, wholesale or 'net' airfares at less than the published price to a retailer who will then resell them to the end consumer.
c) It has been argued that tourism would not exist to the extent that it does today if it were not for people able to travel with relative speed and efficiency, either from the

generating destination to the host destination and return, between host destination, with host destination or both (French, Craig-Smith & Collier, 2000).

d) Travel agencies serve as key facilitators for travellers and travel services suppliers and are seen as the gateway for many services offered to travellers by airlines, hotels, tour packagers, cruises and excursions (Heung & Chu, 2000, p. 52). However, Lewis, Semeijn and Talalayevsky (1998) maintain that the role of travel agents as information brokers, passing information between buyers and suppliers of travel products, and processing transaction by printing tickets or forwarding money has been profoundly affected by information technology which has revolutionised communication and information channels between enterprises and consumers (Buhalis, 2000a; Wilson, 2000). The competitiveness of travel agencies in the face of challenges by information technology depends on these agencies' abilities "to capture the market's loyalty, ensure access to travel information while providing value-added services and develop winning product strategies supported by information technology" (Lewis et al., 1998, p. 25). These strategies depend on the extent of partnerships between information coordination intermediaries such as wholesalers and travel agents, tourism organisations, airlines and other tourism suppliers. Therefore, strategic alliances could be a way of enhancing this coordination.

e) Hospitality, transport and organised tours constituted 55 per cent of all international visitor expenditure in Australia in 1999 (BTR, 2001). BTR figures show that these sectors accounted for 50 per cent ($31117 million out of $62538 million) of all expenditure by both international visitors, overnight and day visitors in 2002 (BTR, 2002a; 2002b), and it is also obvious that all other expenditures by international visitors e.g. on shopping, entertainment and gambling, education fees and others depended largely on the availability of transport and effective use of travel agencies and tour operators.

2.4.1 The role of tour operators, wholesalers and travel agents

Travel agents, tour operators and wholesalers are distinct sectors of tourism (King and Hyde, 1989, p. 41). The terms “tour operator” and “wholesaler” are often used interchangeably. However, Howard and Harris (2001) argue that in tourism industry jargon, the two denote different types of businesses.

Tour wholesalers

A tour wholesaler is defined as a firm that purchases travel and tourism services in bulk and combines two or more of these services into a ‘package of travel’, often called a tour for sale through travel agencies or direct to consumers (King & Hyde, 1989; Howard & Harris, 2001). These services include airline seats, car rental, hotel rooms, sight seeing tours etc. Tour wholesalers play a prominent role in the tourism industry by developing package tours, which normally include viable destinations and combinations of attractions, accommodation and transport (Dickman 1989, p. 144). They have a responsibility of ‘selecting’ and ‘combining’ services in a manner that would appeal to a target market. Packages provided by these tour wholesalers therefore vary considerably depending on the number and nature of ingredients included. Howard and Harris (2001, p. 359) argue that by providing ‘ready made’ travel and tourism packages “tour wholesalers make it easier for individuals, or groups, to travel to and experience other areas or countries.” They also secure substantial price discounts by buying in bulk from different service providers and then design a brochure to promote the package and distribute it for sale either through travel agencies or to consumers.

Tour wholesalers do not usually own the services they package. However, evidence exists to the effect that some companies employ their own tour escorts or managers rather than purchasing these services from specialist companies or individuals (Howard & Harris, 2001). Through forward integration, some airlines, particularly QANTAS, Jetstar and the now defunct Ansett operated wholesaling and travel agents divisions as a way of increasing the sales of their seats (King & Hyde, 1989; Howard & Harris, 2001). For example, QANTAS runs its wholesaling division QANTAS Holidays while Ansett used to own Traveland, one of Australia's biggest travel agents chains. In Australia tour operators such as Jetset, Thomas Cook and Express also act as travel agents, prepared to book their own or other tours for a customer. Traditionally they have been classified as domestic, inbound and outbound tour operators.

Tour operators

A tour operator is a "company or individual that provides tours within a particular destination area. These tours can range from simple sightseeing journeys (e.g. harbour cruises) to extensive journeys of many weeks" (Harris & Howard, 1996, p. 153).

There are two broad types of tour operators, namely Local tour operators and Inbound tour operators. Local tour operators are tour operators that conduct tours within a particular destination and are located primarily in a traveller's or tourist's destination region. Howard and Harris (2001) argue that these operators' services might also be used while en route to these areas by inbound tourists. Howard and Harris (2001, p. 361) further observe that while most local tour operators sell directly to consumers as well as through travel agents, many of them also "seek to have their services incorporated into the packages out together by tour wholesalers and inbound tour operators. In acting this way they are able to greatly increase their ability to sell their services to interstate and overseas travellers."

Inbound tour operators are organisations, which arrange and oversee tour packages bought by inbound tourists to Australia. They do not only put together packages of services for use in a destination area by overseas travellers but also coordinate travel arrangements in Australia for overseas wholesale tour operators and retail travel agents. Their services include planning an itinerary in Australia, operating the tour, costing the tour components - including transfer, accommodation, sight-seeing, domestic transport, airport transfers, entertainment and meals (Stirling, 1993). Howard and Harris (2001) observe that service packages developed by Inbound tour operators in Australia are not sold directly to overseas travellers but are purchased by tour wholesalers, travel agents and incentive houses located in the traveller's home country who in tern would incorporate the packages into their own product offerings which they would then sell directly or via travel agencies, to consumers.

Travel agents

Travel agencies are intermediaries between principals (airlines, coach companies, hotel, vehicle, rental firm, tour wholesalers and cruise lines) and consumers (tourists). Travel agents evolved from pioneer travel agents such as Stewart Moffat Travel in Melbourne and World Travel Headquarters in Sydney in the 1950s even though there were a handful of agencies set up just to handle travel much earlier (Richardson, 1999). These pioneers were both wholesalers, retailers and inbound operators at the same time, and "…as time went on and markets became bigger, specialists developed either as separate companies or as subsidiaries or divisions of large ones" (Richardson, 1999, p. 252). Travel agents became more important when air travel increased popularity. Airlines viewed the use of travel agencies as a cheap and effective method of widening their distribution network in order to reach new and expanding markets (Vasudavan & Standing, 1999, p. 214). Furthermore, as more people travelled greater distances it became essential to have someone who knew about overseas destinations and regulations which became important to the overseas traveller (Dickman, 1989, p. 140). This led to the use of travel agents as brokers between tourism industry operators (principals) and consumers. Howard and Harris (2001, p. 24-26) argue that travel agencies in Australia can be grouped into four types, namely independent travel agencies, corporate chains, franchise agencies, and corporate buying groups.

Travel agents act not only to assist principals to distribute their services to those people who wish to purchase them (Howard & Harris, 2001), but also provide information, promotion and booking service to the market place (Stirling, 1993) in return for a commission "which is generally expressed as a percentage of the sale price of the travel product" (Howard & Harris, 2001, p. 18). They also offer their clients a range of consulting services, including advice on travel services to purchase, and assisting clients in organising their trips. French et al. (2000, p. 75) see agents as assuming a dual role. The first role being contractual between the agent and the principal[8] and the second being responsibility to the client in offering a service[9].

Leiper (2003) sees travel agents as performing a number of responsibilities to their clients: motivating sales prospects, informing consumers, making and confirming reservations, selling, planning clients' trips, organising clients' trips and supporting the management of clients' trips; and principals: representing principals, selling and other promotional roles for principals, collecting information on booking, providing financial services and gathering market data. They also play an important intermediary role in the Australian tourism system. Given this duality of roles, Howard and Harris (2001, p. 18) argue that travel agencies are best defined as intermediary firms that derive financial gain (in the form of commission) by linking suppliers of tourism services with consumers through the provision of reservation, ticketing and other services.

2.4.2 Contribution of the sector

The most recently published figures relating to travel agency services sector (ABS, 1998) show that there were 3 266 businesses in the travel agency services industry of which 2 842 (87 per cent) were engaged primarily in the retailing of travel products in Australia. The remaining 424 businesses (13 per cent) were shared between wholesalers (158), ticket

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[8] French et al. (2000, p. 75) summarises these responsibilities as providing for the principal a location where the potential consumer may acquire information on the product(s) or service(s) being offered by the principal; a location where the consumer can purchase the services or products of the principal and a revenue collecting service.

[9] French et al. (2000, p. 75) summarises these responsibilities as providing for the client a location where the potential tourist may seek information on various travel options; advice on the various options available; quotations for individualized itineraries and programmes; a booking or reservation system for various aspects of the tourism product such as transport, accommodation, excursions and attractions, transfers and insurance; advice and help in procuring the necessary travel documents, visas, health and vaccination requirements; an implied undertaking that any advice given to, or action taken on behalf of, the client will be given or undertaken with due skills and care, that is, without negligence; and an itinerary planning service, particularly to FITs, special-interest groups, conference groups, incentive groups and corporate accounts.

consolidators (16), tour operators (170) and tourist bureaus (80).[10] Of the 2,842 distributors, 2,393 (84 per cent) were specialising in the leisure market, compared to 325 in the corporate sector, 50 in the conference sector and 74 general sales agents.[11] Most of these businesses were SMEs employing less than 20 persons (97 per cent), and 55 per cent of all the businesses were by working proprietors and partners.

Table 2.5: Size and contribution of the travel sector in Australia

	Value
Businesses at end June 1997 (no.)	3 266
Employment at end June 1997	
Full-time (no.)	19 502
Part-time (no.)	4 949
Total (no.)	24 451
Income from ticket sales ($m)	1 570.8
Other travel income ($m)	194.5
Other income ($m)	214.2
Total income ($m)	1 979.5
Labour costs ($m)	647.9
Rent, leasing and hiring expenses ($m)	126.6
Other expenses ($m)	1 158.6
Total expenses ($m)	1 935.6
Operating profit before tax ($m)	37.3
Operating profit margin (%)	2.0
Industry gross product ($m)	750.6

Source: (ABS, 1998)

Table 2.5 shows the total number of businesses, total employment, of which 80 per cent are full-time, and total industry income of $1 979.5 million, 79 per cent of which came from ticket sales. The table also shows total industry expenses of $1 135.6 million, leaving an operating profit before tax of $37.3 million. Retail travel agencies sold $8 503 billion worth of travel products of which 62 per cent were international travel sales. The 3 266 businesses in the travel agency services sector also generated total income of $1 979.5 million of which 65 per cent was mainly in commissions on tickets. According to ABS (1998), retail travel

[10] Subject to sampling variability because the figure was found to be too high for most practical purposes.
[11] ABS (1998, p. 19) observe that "these are businesses that have an exclusive license to sell another travel provider's product. For example a GSA might have the license to sell tickets on behalf of an international airline. These businesses are considered to carry out retail activities."

agency businesses accounted for $787 million of these commissions and sales while wholesale/ticket consolidators accounted for $341 and inbound tour operators $149 millions each respectively. With total expenses of $1 936 million, the sector recorded an operating profit before tax of $37 million for the 1996-97 financial year, which represented an operating profit margin of 2 per cent. The ABS (April 2006) ATSA shows that travel agency and tour operators services contribution to total tourism GVA has decreased from $835 million (3.81 per cent) in 1997-98 to 961 (3.63 per cent) in 2004-05.

The above observations show the significance and centrality of the travel sector to tourism in Australia. These businesses play a very important role in providing services to tourists, at the same time contributing significantly to the Australian economy. This section further provides sufficient information as to why the sector was identified as the focus of this thesis. Better organisational and cooperative arrangements should be identified if this sector is to develop further.

2.5 Scope of the research

The objectives of this study are to establish motives that influence the formation of strategic alliances in the tourism industry and to find out the role of company and executive characteristics in strategic alliance type selection, choice of alliance partners, and alliance performance outcomes. Since the tourism industry is ‘wide’ and ‘complex’, the travel sector has been identified as an area where such an investigation is to be conducted. Reasons for such a choice have been advanced. This investigation is also done in relation to the tourism sectors of travel and transportation. It is important to note that the two tourism sectors of accommodation and transport are only investigated from the perspective of travel agents, tour operators and wholesalers with a view to understand the extent to which these sectors are integrated through alliances.

Travel agents, tour operators and wholesalers are all intermediaries and part of the tourism distribution channel (Richardson, 1996) and their development is intractably linked to other travel and tourism industry players such as transportation, accommodation and attraction sectors. Howard and Harris (2001, p. 4) argue that as people travel they create a demand for service that will assist them in moving between places and provide for their needs once they have arrived. Such a demand is met by the travel, transportation and accommodation sectors besides others.

The accommodation sector in Australia has enormous variety in terms of the types of accommodation available, facilities offered and standard of service provided (French et al., 2000). These facilities include hotels, motels, resorts, apartments and units, guest house, caravan parks, hostels, bed and breakfast, accommodation on various transport modes such as houseboats, trains and cruise ships, and accommodation by non-profit making organisations like scouts, church properties, ski club lodges, trade union holiday camps and corporate training centres (Commonwealth of Australia, 1996, pp. 85-91). For the purpose of this study, accommodation businesses refers to those organisations as classified by the Australian and New Zealand Standard Industrial Classification (ANZSIC). These organisations are hotels, resorts, motels and guesthouses, self-catering accommodation, and caravan parks.

Transport is a fundamental element of all economies, connecting businesses to markets and to supplies of inputs. Transport has been defined by ABS (1999b) as the movement of goods or persons from an origin to a destination (excluding electronic transfer of data such as on the Internet). The importance of the transport sector to the tourism industry is that it links home, destination, accommodation, attraction and all other locales of tourism. Gee and Fayos-Solá (1997, p. 45) underscore the significance of this sector by referring to a direct relationship that exists between advances in transportation and growth in the tourism industry, such that transport's efficiency, comfort and safety determine, to a large extent, the quality of the tourism experience. Transport services for passengers cover a very broad industry included under industry classifications 4621 – 4623, 4820, 4900 and 5010 of ANZSIC (Australian Bureau of Statistics/Statistics New Zealand, 2006). It would be very difficult for a study of this nature to cover all the modes of transport for passengers. The few that were included in the survey were airlines, cruise, coach or bus transport, taxi services, and rental services of passenger cars. These were included because of their possible linkage with the tour operators, wholesalers and travel agents.

Since the focus is on strategic alliances in the travel sector, respondents from the three sub-sectors of travel (travel agencies, tour operators and wholesalers) were asked to indicate the level to which their businesses were involved in strategic alliances with accommodation and transport organisations.

2.6 Chapter conclusions

This chapter has provided an overview of the tourism literature and the contribution tourism makes to the Australian economy. The latter part of the chapter discussed briefly the three sub-sectors of tourism, which are at the centre of this study – travel agencies, tour operators and wholesalers, and briefly accommodation and transport sectors. The discussion focused on these sectors as though they are distinct and independent of one another. In reality, these are integrated sectors which are increasingly moving away from adversarial models of operation, discovering the power of collaboration (Telfer, 2001). One form of collaboration between tourism businesses is strategic alliances (Go & Hedges, 1994; Chen & Tseng, 2005). Literature on strategic alliances is reviewed in the next chapter.

Chapter Three

Review of the literature on strategic alliances

3.0. Definitions of strategic alliances

Strategic alliances have become one of the most important organisational forms in modern society and they are well-known tools available to, and used by, multinational business managers (Mockler, 2001), as well as organisations competing in domestic markets (Morrison, 1994). Strategic alliances have been used by organisations of all sizes – large and small (Golden & Dollinger, 1993; Etemad, Wright & Dana, 2001) and are of considerable interest to both industry practitioners and academics (Clarke-Hill et al., 1998; Zeng & Chen, 2003). With the increase of strategic alliances in number and variety, many scholars from different fields have sought not only to define and identify explanations for the phenomenon but also to find ways organisations might better manage these collaborative arrangements. The result has been a diversity of definitions and disagreements about which forms of inter-organisational cooperative arrangements can be said to constitute strategic alliances.

Consensus on what strategic alliances are and what forms they take is far from being achievable. However, common themes emerging from these definitions are that strategic alliances are a variety of purposive inter-organisational relationships between two or more organisations (Howarth, Gillin & Bailey, 1995; Faulkner, 1995) that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence (Kale, Singh & Perlmutter, 2000; Mohr & Spekman, 1994). According to Tyler and Steensma (1998), alliances are any arrangements where two or more partners contribute differential resources and technological know-how to agreed complementary objectives. Tyler and Steensma further argue that alliances are not just limited to one-way transfers of know-how, such as licensing and marketing agreements, but are arrangements where partners share their expertise and output. They represent a spectrum of inter-organisational cooperative arrangements with a variety of governance mechanisms where organisations may or may not have legal contracts, and may or may not have provided equity funding for a separate entity (e.g. joint venture and non-equity ventures). What is common to all of these relationships is the commitment of these organisations to develop technology, market products cooperatively, share costs, access assets, resources and competencies, thus strengthening their ability to keep pace with emerging requirements in the market place and global competition.

Clarke-Hill et al. (1998) also perceive a strategic alliance as a coalition of two or more organisations to achieve strategically significant goals and objectives that are mutually beneficial. They argue that ‘mutual beneficial’ does not imply equality but should be understood within the concern for all parties to the alliance to receive benefit from it in proportion to contributions made. They further argue that strategic alliances differ from other types of collaborative arrangements because they occur in the context of a company’s long-term plans and seek to improve an organisation’s competitive standing in either domestic or international markets.

The lack of consensus on what constitutes strategic alliances makes their conceptualisation a challenging undertaking. While some authors consider both vertical and horizontal linkages to be within the domain of strategic alliances, others consider only horizontal linkages to be true strategic alliances because they consider vertical linkages to be part of the traditional buyer-seller, or principal-agent relationship (Townsend, 2003). While others consider mergers, (Clarke-Hill et al., 1998); licensing and franchising (Buttery & Alan, 1994; Johnson & Scholes, 1999); and outsourcing, as strategic alliances, Yoshino and Ranjan (1995); Mockler et al. (1997); and Mockler (2001) refute such claims. Yoshino and Rangan (1995) argue that while strategic alliances can take a variety of forms, cooperative arrangements such as joint ventures, licensing and franchising agreements, for example, should not be classified as strategic alliances. As for joint ventures, their argument is that the jointness of a venture is frequently a compromise rather than a goal. They also take issue with licensing and franchising agreements because, according to them, such agreements do not call for continuous transfer of technology, products, or skill between partners. Yoshino and Rangan's (1995, p. 5) argument which has also been partially adopted by Mockler et al. (1997) and Mockler (2001) is that a strategic alliance should possess simultaneously three *necessary* and *sufficient* characteristics which are:

1. The two or more firms that unite to pursue a set of agreed upon goals remain independent subsequent to the formation of the alliance.
2. The partner firms share the benefits of the alliance and share control over the performance of assigned tasks (perhaps the most distinctive characteristic of alliances and the one that makes them so difficult to manage).
3. The partner firms contribute on a continuing basis in one or more key strategic areas, e.g., technology, products, and so forth

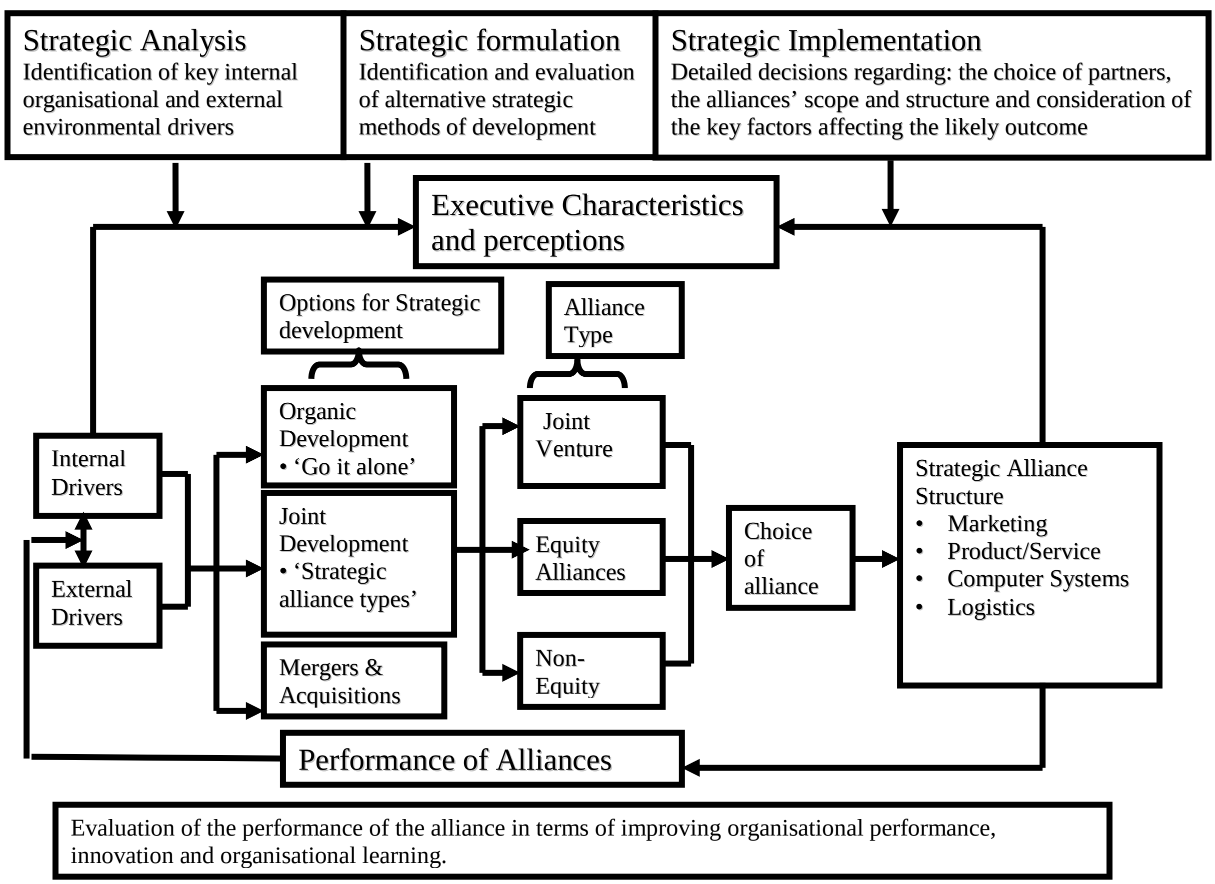
What is common to all of these relationships is the commitment of these organisations to develop technology, market products cooperatively, share costs, access assets, resources and competencies, thus strengthening their ability to keep pace with emerging requirements in the marketplace and global competition. While the subject of strategic alliances is very wide in scope, this thesis adopts the three *necessary* and *sufficient* characteristics, which according to Yoshino and Rangan (1995), strategic alliances must possess. These three characteristics fully capture what strategic alliances are and why they are formed. Therefore for the purpose of this thesis, strategic alliances are defined as purposive strategic arrangements between two or more independent organisations that form part of, and is consistent with their overall strategy, and contribute to the achievement of their strategically significant objectives that are mutually beneficial (Pansiri, 2005a).

3.1 Strategic alliance framework

Pansiri (2005a, pp. 1099-1100) adapted Evans' conceptual five-stage process model of the strategic management processes involved in the formation and evaluation of strategic alliances in the airline sector, which can also be used to analyse strategic alliances in the tourism industry. This framework is shown in Figure 3.1, which explains a process that involves:

1. The strategic analysis of internal organisational and external environmental “drivers”.
2. Strategic formulation which involves postulating and evaluating alternative strategic options, and choosing the option of strategic alliance formation (either with or without equity) participation.
3. Consideration of implementation issues including the choice of appropriate partners, structure and scope of the alliance.
4. Evaluation of the strategic alliance against selected criteria purporting to measure the success of the alliance.
5. The evaluation of the strategic alliance is fed back into the analytical phase so that any changes based upon experience can be incorporated (Evans, 2001 pp. 231-233).

Figure 3.1: The behavioural collaborative strategy process framework



Source: Pansiri (2005a, p. 1100).

To Evans' model, Pansiri (2005a) includes executives characteristics and perceptions in order to acknowledge behavioural orientations which influence executives' attitudes toward strategic alliances formation and the kinds of information they attend to when individually assessing potential and currently operational alliances their organisations are involved in. This framework will form the basis for research of strategic alliances in this study. [12]

3.2 Reasons why organisations form strategic alliances

A number of studies have identified several drivers (motives) leading to formation of strategic alliances (Faulkner, 1995; Howarth et al., 1995; Dussage & Garrette, 1999; Evans & Peacock, 1999; Evans, 2001; Contractor & Kundu, 1998a). These drivers or motives as shown in Figure 3.1, have been classified as 'internal organisational' and 'external environmental' drivers (Faulkner, 1995; Howarth et al., 1995; Evans, 2001), which Evans (2001, p. 231) argues "…act as the underlying motivating reasons for alliance formation". The 'internal driver' view is built on the perception or recognition that the organisation cannot achieve its objectives alone due to a scarcity or lack of access to resources (Howarth et al., 1995). This view is strongly supported by the 'resource based view' of the firm, which sees organisations as collections of heterogeneous resources (see discussion on access to assets, resources and competencies in section 3.2.2). Alliance motives from this perspective include reducing internal organisational uncertainty (Drago, 1997); shaping competition (Drago, 1997; Doz & Hamel, 1998; Colombo, 2003); economies of scale (Evans, 2001; Hill & Jones, 2004); economies of learning - alliances are often aimed at expanding a firm's set of distinctive capabilities through inter-organisational learning (Kotabe, Martin & Domoto, 2003; Tsang, 2002); access to assets, resources and

[12] This framework informs the research framework developed in Chapter Four of this thesis. The strategic alliance process developed and followed in this thesis suggest among others, the choice of appropriate partners. This is generally agreed in the alliance literature as evidenced by the work of Evans (2001), Pansiri (2005), Kanter (1994) and many others cited in section 3.6 of this thesis. However, most of the dimensions that have been used for choice of alliance partners have also been used for assessing characteristics of alliance partners that are maintained or developed during in on-going inter-organisational relationships (i.e. Medina-Munoz and Garcia-Falcon, 2000). In a paper that is currently under second review in *Tourism Management* journal, written by the author of this thesis, "The effects of characteristics of partners on strategic alliance performance in the SME dominated travel sector", choice of alliance dimensions are treated as characteristics of alliance partner, to acknowledge the fact that the partnerships are on-going..

competencies (Hitt, Ireland & Hoskisson, 1996; Olivera, 1999; Beverland & Bretherton, 2001; Mockler, 2001; Ray, Barney & Muhanna, 2004); and risk sharing (Colombo, 2003). The 'external driver' perception or recognition is built on the understanding that in order to achieve certain objectives the organisation must submit to the pressure of external forces. These forces include government regulations and barriers to trade, (Howarth et al., 1995); technology capabilities (Doz & Hamel, 1998; More & McGrath, 1999; Go, Govers & Heuvel, 1999; Sakakibara, 2002; Colombo, 2003); globalisation (Dussage & Garrette, 1999; Chan, 2000; Erdly & Kesterson-Townes, 2003); and market entry and development of new markets (Ohmae, 1989a; 1989b; Howarth et al., 1995; Whipple & Gentry, 2000; Beverland & Bretherton, 2001). The following is a further discussion of these drivers.

3.2.1 External drivers

It is generally accepted that there are various 'external drivers' that influence firms into entering cooperative agreements. Various authors have discussed a number of these external driving forces, but Faulkner (1995) argues that their impact varies from situation to situation. These include globalisation, technology and economic restructuring.

Globalisation

Globalisation is a "concept with consequences" (Hall, 2001, p. 22) not only for tourism but also for all industries, governments and their communities worldwide (Cooper & Wahab, 2001). It has been suggested that globalisation "…can refer to an increase in: (a) cross-border relations (or internationalisation); (b) open-border relations (or liberalisation); and (c) trans-border relations (or the relative uncoupling of social relations from territorial frameworks)" (Sum, 1999, p. 129). This view is also held by Wahab and Cooper (2001) who see globalisation as an all embracing term that denotes a world which, due to many politico-economic, technological and informational advancements and developments, is on its way to becoming a borderless and interdependent whole. Jessop (1999) sees it as a complex, chaotic, and over-determined outcome of a multiscalar, multitemporal, and multicentric series or processes operating in specific structural contexts. Whilst each social science and business discipline adopts a different stance vis-à-vis globalisation, Cooper and Wahab (2001) argue that it is possible to draw together these disparate threads by considering globalisation as boundary-lessness and the various organisational responses to it, which could be summed up as follows:

1. The process of globalisation reduces borders and barriers for trade between nations (Ohmae, 1989a; Cooper & Wahab, 2001; Wahab & Cooper, 2001).
2. This process also renders these boundaries permeable both within and between organisations (Cooper & Wahab, 2001).
3. The increased permeability of boundaries has been brought about by a series of drivers operating at all scales, not simply at the global scale, and these drivers include technology, economy, politics, culture, natural environment, and managing business globally (Ohmae, 1989a; Cooper & Wahab, 2001).

From this background, Ohmae, (1989a) argues that success or failure of large businesses in the future will depend upon their ability to compete effectively globally (Ohmae, 1989a), and alliances have been used as one of the means through which expansionism is being done.

The idea that competition in international markets is the realm of large companies only has been challenged since it is now difficult for SMEs to thrive on their own unless they are globally competitive. Therefore, Etemad et al. (2001) argue that to increase their global competitiveness SMEs need to form cooperative relationships with larger companies in order to reach global markets. No company is immune to globalised competition, particularly in the tourism business (Dev et al., 1996). While globalisation is well advanced in industries such as motor vehicles, pharmaceuticals, soft drinks and financial services, Evans (2001) emphasises that international tourism has made globalisation one of the major driving forces in tourism.

Tourism is one of the leading global industries (Walle, 1996; Apostolopoulos & Sönmez, 2000) since it broke away from its beginnings as a relatively minor and ephemeral ritual of modern national life to become a significant modality through which transnational modern life is organised (Hannam, 2002). Whilst tourism organisations are affected by globalisation, they also enhance and sustain the process of globalisation in terms of their own responses to the phenomenon (Cooper & Wahab, 2001). Hannam (2002) refers to Lofgren's (1999) historical study of tourism development, which notes how globalisation has transcended sand, sun and sea to create the notion of the 'global beach'. In addition, various sectors within the broad tourism industry have been globalised. For example, Pine, Zhang and Qi, (2000) point out that globalisation has become the strategy of many companies in the hotel industry, with most of these companies holding the idea that they must reach across continents and carry their product right around the world to succeed and prosper. Pine et al. (2000) cite Holiday Inn, Shangri-la, Marriott, Accor, and Starwood as some of the global hotel industry participants, which have made their presence in China. Hannam (2002) makes reference to globalisation of mass-market cruise companies, while Apostolopoulos and Sönmez (2000) argue that the only way Mediterranean countries can maintain a competitive edge in the global tourist market is to form strategic alliances that would make them respond to globalisation pressures more meaningfully.

In general it can be argued that tourism has been rigorously globalised, with the number of international tourist arrivals in the world rising from 441.0 million in 1990 to 763.2 million in 2004 (UNWTO, 2005) accompanied by an increase in international tourism receipts from 263 billion (US$) in 1990 (UNWTO, 2001b) to 623 billion in 2004 (UNWTO, 2005).

The globalisation of tourism is also reflected in the formation of international institutions formed to promote tourism as a global phenomenon. For instance, the UNWTO, a specialised agency of the United Nations is composed of 145 countries, seven territories and some 350 affiliate members, representing the private sector, educational institutions, tourism associations and local tourism authorities serves as a global forum for tourism policy issues and practical source of tourism know-how (UNWTO, 2006). In the same vein, the World Travel & Tourism Council (WTTC) serves as a "forum for global business leaders comprising the presidents, chairs and CEOs of 100 of the world's foremost companies. It is the only body representing the private sector in all parts of the Travel & Tourism industry worldwide" (WTTC, 2006, paragraph 1). Its global mandate is to raise awareness of the full economic impact of tourism as the world's largest generator of wealth and jobs. These institutions are an indication of how globalised tourism has become.

Technology

Companies are driven to form strategic alliances by lack of sufficient internal resources (Colombo, 2003). Often this lack of resources resides in technological capabilities (Whipple & Gentry, 2000), therefore competitive advantage is believed to be achievable through forming alliances with partners who offer new technologies particularly in R&D. Furthermore, as businesses are increasingly relying on instantaneous information exchange, it is difficult for firms to stay on the forefront of technological advances. Hence, the necessary R&D skills and facilities may be lacking to undertake R&D internally. Therefore, a goal of many organisations is to ally with a partner that has sophisticated information capabilities, (Doz & Hamel, 1998; Whipple & Gentry, 2000). In addition, firms desire to gain access to a partner's R&D expertise, which could result in improvement of its product development process as well as shorten critical lead-times to bring new products to market faster. Alliance partners may bring new ideas for product and process improvements.

Technology based strategic alliances have also been associated with spreading the risk of developing new products. Howarth et al. (1995) maintain that a typical example of strategic alliances that provide benefits to member organisations by spreading the risk of developing new products and processes are consortia because they involve many organisations across different industries. Doz and Hamel, (1998) and Sakakibara, (2002), support this. Doz and Hamel (1998, p. 3-4) observe that in order to develop and build a global satellite-based mobile communications network, Motorola needed funds and complementary capabilities (particularly for space technologies). To secure these, it brought together an exceptional coalition of seventeen equity-holding partners to form Iridium in the 1990s. Sakakibara

(2002, p. 1034-1035) argues that the primary motives for forming R&D consortia are sharing of fixed costs among R&D participants, realising economies of scale in R&D and avoiding ‘wasteful’ duplication.

One of the characteristics of dynamic networks is the broad availability of open information systems which all network members can access through computerised systems that handle the communication and information flows within the network (Go et al., 1999). Bentley (1996) as cited by Go et al. (1999, p. 15) explains that, “…technologies first penetrated sector by sector – airlines, hotels, car rentals, travel agencies, now destinations. The second stage is integration of the sectors, which is on going… The third stage is delivery of these technologies to the retail trade, also under way. The fourth is integrating the individual consumer into the use of information technology.” The tourism industry has embraced technology because of its opportunity to improve companies’ interactivity with their consumers and stakeholders because more people use Information and Communication Technologies (ICTs) (including Computer Reservation Systems [CRS], Global Distribution Systems [GDSs] and the internet) to locate and purchase tourism and accommodation products (Buhalis, 1999).

A number of studies have indicated the use of technology by tourism businesses, particularly the adoption of ICT. Daniele and Mistilis’ (1999) study indicates a very high need for information technology by tourism organisations in Australia. These organisations included transportation (airline and car rental firms), travel intermediaries (travel agencies and tour operators) accommodation establishments and government organisations. A similar study was done by Evans and Peacock (1999), assessing the extent of awareness and development of ICT applications in comparison to both the global tourism system and national, regional and local tourism information and promotion. The study encompassed a wide range of tourism organisations including museum, gallery or heritage sites, arts and entertainment venues, hotel and accommodation providers, visitor attractions, tour operators, restaurants, travel agencies, tour guides and tourist information centres in the UK who participated by responding to a questionnaire. While the study found a very high domination of ICT and online reservation systems by major travel and tour operators and integrated chains (e.g. hotels, car hire, tour operators, travel agents and transport carriers) and the problems of accessing such systems by SMEs, the study found that most organisations used teletext, telephone, fax, email and internet/web for reservation/booking by customers.

Brown and Pattinson (1995) studied alliance relationships and communication technologies used by Radisson Hotel Australia (RHA) operating in the Australian travel and hotel environment. RHA is licensed by Radisson Hotels International (RHI) whose brand was developed in the 1960s in the USA to provide hotel management services to hotel property owners using the Radisson name and systems in Australia, New Zealand and South West Pacific, including selected Asian countries (Brown & Pattinson, 1995). The study found that RHA is linked to RHI through RHI's centrally managed global reservation system, which links RHI with the Radisson hotels. Brown and Pattinson (1995) also found that RHA and its alliance partners (Qantas, Ansett, Telecom, suppliers, property owners, Radisson Hotel Philippines, Indonesian partners, Radisson Hotel Malaysia, RHI, and Fantasia/Southern Cross) use e-mail, Pierre reservation system, telephone, facsimile and Interactive linkage as their communication media.

Research in the travel agency sector has produced mixed results with respect to ICT usage. For example, Luk (1997) examined the relationship between marketing culture and perceived service quality and its implications for managing service quality in the tourism industry. He found that all the travel agencies in Hong Kong which participated in the study placed a greater emphasis on "service quality" but a moderate emphasis on "organisation" while at the same time giving lower priority to fostering "international communication" and "innovation." Luk's findings are supported by Vasudavan and Standing (1999, p. 225) who found that the travel agency sector in Australia does not create a dynamic environment for change and is characterised by low levels of motivation and innovation. Vasudavan and Standing studied travel agencies in the Perth Metropolitan region of Western Australia and found that only 45 per cent of the respondents had access to the internet from their offices, mostly using technology such as electronic mail, electronic file transfer, World Wide Web browser and World Wide Web. Deng et al. (2000) did an exploratory study on travel agents' attitudes toward automation in Canada and New Zealand and found that there are four distinct groups of agents whose attitudes towards automation differ quite substantially, and these attitudes are related not much to the current use of technology but more to perceived future usage. They found that:

> Attitudes toward automation are characterized by insecurity in the threats that they perceive from direct selling and potential control by operators. They also perceive fewer benefits in automation in terms of its contribution to specific aspects of service, though they apparently recognize its contribution to overall quality (Deng et al., 2000, p. 66).

Notwithstanding the above, Deng et al. (2000, p. 60) argue that modern society is embarking on a new era – the "high tech/high touch" society. In most industries technology has become one of the key driving forces influencing the competitive process (Deng & Ryan, 1992; Erdly & Kesterson-Townes, 2003). Similarly, the travel industry is essentially an information-based industry and information technology has become an integral part of the communication process to the extent that it is practically impossible to survive and attain a substantial competitive advantage as principal, carrier or agent without investing in automation (Deng et al., 2000). Erdly and Kesterson-Townes, (2002, p. 15) add that the internet and new technology applications are transforming global business through the formation of e-markets, on-line exchanges, and networked business communities which are creating tremendous opportunity for companies to transition their business models towards de-capitalised external networks – using alliances and outsourcing arrangements, for example – rather than owning and operating every aspect of the value chain. They argue that hospitality and leisure companies will turn to networks that more efficiently deliver capabilities in non-core functions, including certain parts of the supply chain, finance, human resources, ICT, and other areas with a view to offering better quality product and more customised guest service with lower structure. This is supported by Raymond (2001, p. 411-412) who regards the travel industry as a prime example of a sector that has been profoundly impacted by information technology through applications such as CRS, Destination Information Systems [DIS], GDS, and Web-based applications that allow consumers and corporations to obtain travel information and advice, compare prices, and book their own transportation, lodging, and other services.

Technology provides marketing, creation and distribution of tourism products. Tourism companies most of which are SMEs lack capital investments and specialist training to acquire and manage technologies successfully. Therefore, forming strategic alliances either with partners who are able to offer new technologies (i.e. on line reservation systems by major travel and tour operators and integrated chains like travel agencies) or with other SMEs with a view to bringing together scarce resources is an important aspect of achieving technologies by companies which on their own would be unable to.

Economic restructuring and the role of government

The role of national or regional policies has been viewed as an important external environmental factor that impacts on the decision to form an alliance (Horton & Richey, 1997). The literature on this topic has been discussed in terms of both domestic and international strategic alliances. In respect to domestic alliances, Horton and Richey (1997) observe that prior to the 1980s, national policies toward alliances (particularly research alliances), might have been conceived of as clearly divided between the U.S.A. approach, in which coordination between firms was viewed with a great deal of suspicion, and the Japanese model, in which the government was actively promoting meetings between industry leaders both to set technical standards and to coordinate joint research projects. This view is shared by Harrigan (1985) who argues that some industrialised nations, such as the U.S.A. have enforced strict antitrust laws that prohibit cooperative strategies when they appeared to function as monopolies or behaved collusively. However, Harrigan finds evidence of increased tolerance of alliances, particularly joint ventures, by U.S.A. officials since the mid 1980s if efficiency gains offset the harm to competition that such arrangements had previously been assumed to create. In respect to multinational enterprises, (MNEs) various authors on the subject do not only reveal different policies by various countries towards promoting and protecting local businesses but also the changes of government policies over time in respect to the subject.

Bell, Barkema and Verbeke (1997) argue that host governments may restrict the level of activities by foreign MNEs. However, studies by Gomes-Casseres (1990) indicates that some MNEs are able to establish wholly owned subsidiary companies depending upon their bargaining power. Gomes-Casseres further argue that if MNEs ownership preferences conflict with those of the government, they are faced with the choice of either negotiating a compromise or declining to invest in that particular country. Previous research has shown that companies taking the former route use strategic alliances particularly joint ventures as the most preferred mode of entry (Gomes-Casseres, 1990; Bell et al., 1997). Alliances allow firms to overcome a country's protectionist measures (Horton 1998), and have been used as a way of gaining entry into particular markets where governments impose tariffs, barriers and conditions of entry. Howarth et al. (1995, p. 20) make reference to the Australian Government program, "Partnerships for Development", which requires technology sharing as a condition of entry into the Australian market:

> This program encourages transnational companies to develop Australian activities as part of their global R&D programs by forming partnerships with Australian organisations. The transnational organisations are then exempt from the requirements of the Australian Civil Offsets Program. (Under the initial terms of this program, a transnational organization was required to spend 5 per cent of its local turnover annually on R&D activities in Australia, export goods or services to 50 per cent of its imports into Australia annually and average across all exports by year 7 of 70 per cent of the local value-added content).

There is a move towards more relaxation of restrictive policies. Bell et al. (1997) tested among others, the hypothesis that a restrictive host government policy increases the likelihood of a joint venture being used to enter a new market. Their findings suggest that "… for Dutch firms in the late 1980s and early 1990s, the policy of host country governments was no longer a decisive factor for the formation of JVs" (Bell et al., 1997, p. 149). However, in the U.S.A. there are still calls for government to emulate the Japanese and Korean governments by reassessing tax and anti-trust laws in order to facilitate global cooperative ventures (Vyas, Shelburn & Rogers, 1995). Australia has been commended for a variety of federal and state programs which provide vehicles through which government has promoted inter-firm cooperation. These programs as cited by More and McGrath (1999) include the Partnerships for Development Program and the Collaborative Research Centres.

In relation to the tourism industry, studies exist that look at deregulation of the airline industry and its subsequent influence on the international alliances within the industry. The movement towards deregulation began in the U.SA. in the mid 1970s (Dearden, 1994; Chan, 2000), and the U.K. government followed the U.SA. experiment in domestic deregulation in its 1980 Civil Aviation Act which required its Civil Aviation Authority to encourage competition on domestic routes (Dearden, 1994). Dearden reports that the U.K. was to later further deregulate its domestic air fares and make liberalising agreements with the Netherlands, Germany, Belgium and Ireland. This later process of liberalisation encompassed the whole of the European Union (E.U.) from 1993 after long processes of negotiations. In Australia, deregulation of the industry put an end to the then two-airline system, which had allowed Australian Airways and Ansett to operate virtually unopposed on the major truck routes. Glisson et al. (1996) argue that deregulation caused a lot of changes within the airline industry which faced losses exceeding 2 billion dollars (USA). Hence USA carriers responded by establishing strategic alliances with foreign partners for financial assistance and profitable routes

Formation of strategic alliances because of deregulation was reported in healthcare (Beverland & Bretherton, 2001), financial services (Kauser & Shaw, 2004; Kiriazidis & Tzanidakis, 1995) and the airline industry (Chan, 2000; Glisson et al., 1996). Minimal research has been undertaken to find out the impact of deregulation or economic restructuring by governments on strategic alliance formations in the tourism sector of travel.

3.2.2 Internal drivers

It is generally accepted that there are various ‘internal drivers’ that influence firms into entering cooperative agreements and these include risk sharing, shaping competition, economies of scale and scope, inter-organisational learning, and market entry and development of new markets.

Shaping competition

Organisations enter into alliances for competitive reasons connected with collusion and other motives aimed at reducing rivalry, e.g. teaming up with a competitor, exerting market power on customers and suppliers, tightening entry barriers through the definition of new standards (Colombo, 2003). Alliances can also reduce competitive uncertainty - caused by competitive interdependence where the actions of one firm have a direct significant effect on market positions of others in the industry (Drago, 1997). Doz and Hamel (1998) argue that alliances play an important role of co-option of potential rivals. According to Doz and Hamel (1998), co-option turns potential competitors into allies and providers of complementary goods and services that allow new business to develop. They observe that through co-option, potential rivals are effectively neutralised as threats by bringing them together into the alliance, and firms with complementary goods to contribute are wooed, creating network economies in favour of the coalition. No literature on tourism has been found that deals with this subject.

Economies of scale and scope

A prime driver for alliance formation is to achieve cost economies, which can be categorised as economies of scale and scope (Evans, 2001; Taylor, 2005; Chung et al., 2006). Economies of scale are unit cost deductions associated with a large scale output or cost advantages that would not be possible to obtain if the single companies acted independently (Abdou & Kliche, 2004). According to Hill and Jones (2004), economies of scale arise out of two fundamental sources, namely: (1) the company's ability to spread fixed costs over large production volume, e.g. manufacturing facilities, distribution channels, advertising campaigns, and (2) the ability of firms to produce in large volumes to achieve a greater division of labour and specialisation.

Hill and Jones further argue that there are cost reductions associated with sharing resources across businesses and these have two major sources across businesses. Firstly is the assumption that organisations that can share resources across businesses have to invest proportionately less in the shared resource than companies that cannot share, and secondly that resource sharing across companies may enable such companies to use shared resources more intensively, thereby realising economies of scale. Furthermore, a firm can reduce its fixed costs by sharing costs through an alliance (Ohmae, 1989a).

Abdou and Kliche, (2004) cite Global One (established by Deutshe Telekom, France Telecom, and Spirit, which offer integrated global solutions) and Lectrix LLC (formed by American Electric Power, Bechtel Enterprises Holding and Siemens Power Transmission and Distribution, Inc) as examples of alliances which have managed to exploit economies of scale. Gomes-Casseres (1994) also makes reference to competition between Mips Computer Systems, Sun Microsystems, IBM and Hewlett-Packard (HP) in the 1990s in the reduced instruction-set computing (RISC) industry, a field where production scale and market penetration were critical to commercial success. He argues that Mips and Sun used strategic alliance partners to reach the scale, scope, and, market impact they could never have hoped to achieve on their own. Mips and Sun, argues Gomes-Casseres, used their alliances to approximate the scale of operations of the much-larger HP and IBM businesses.

Go and Hedges (1994) maintain that the investments in aircraft, CRSs, frequent flyer programs, labour and fuel are very high. Therefore, airlines form strategic alliances in order to create economies of scale necessary to defray costs over a wider base, and to reach the critical mass convenient for passengers to use the airlines extensive network. “Size allows carriers to improve their marketing and operations through better computer reservation systems, frequent flyer plans, more hubs, vertical integration of feeder airlines and access to airports, and also allows them to develop extensive routes” (Go and Hedges, 1994, p. 185). This is supported by Morrison’s (1994, p. 26) study which found that small hotel firms form strategic alliances in order “…to gain strength in competing against the corporate chains by achieving advantages through economies of scale and the fashioning of common brand identity, thus seeking to replicate the strength of the corporate chains.”

Access to assets, resources and competencies

The basis of this internal driver is the 'Resource-based view of the firm'. This approach assumes that each organisation is a collection of unique resources and capabilities that provide the basis for its strategy and is the primary source of its returns on profit (Hitt et al., 1996). This view, which originates from Edith Penrose's work in 1959 became a contending theoretical understanding of organisational performance to the more traditional 'industrial organisation view' which was dominant in the field of economics in the 1960s through to the 1980s. The 'industrial organisation view' perceives the external environment as the primary determinant of strategies that organisations select to be successful. It largely assumes that organisational strategically relevant resources are relatively homogeneous within industries and that firms deviating from industry norms would experience performance decline – and not enhancement (Hitt, Nixon, Cliford & Coyne, 1999). Arising from this was the pursuance of similar strategies by organisations within the same industry, more so that these resources were also seen as highly mobile across organisations, hence resource differences that might develop between firms would be short lived.

In contrast to the industrial organisation view, the resource-based view is premised on the view that an organisation's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic actions than is the external environment. Therefore, organisations are seen as possessing heterogeneous and idiosyncratic resources on which their individual strategies are based. "When these strategies are successful in leveraging firm resources to gain a competitive advantage that is then sustained over time, the firms achieve higher economic returns than others" (Hitt et al., 1999, pp. 1-2).

Resources may be tangible[13] or intangible[14] (Hall, 1992; Hitt et al., 1996). Strategic alliances permit organisations to access resources that other organisations have. For example,

[13] Tangible resources are assets that can be seen and quantified. Hitt et al. (1996) categorise these resources into four typologies, namely: financial resources (firms borrowing capacity and its ability to generate internal funds); physical resources (sophistication and location of a firm's plant and equipment, and its access to raw materials); human resources (training, experience, judgment, intelligence, insights, adaptability, commitment, and loyalty of a firm's individual managers and workers); organisational resources (firm's formal reporting structure and its formal planning, controlling, and coordination system).

alliances may focus on motives that reduce costs and increase profit in the supply process (joint investment, reduced inventory, stable supply prices). It has also been argued that additional financial motives result from sharing risk, such as joint investment in capital and joint product development (Whipple & Gentry, 2000, p. 303).

Further to this, collective resource utilisation through strategic alliances has been associated with creation of synergy (value created by business units working together, exceeding the value those same units create when working independently), thereby creating joint economies of scope between alliance members (Hitt et al., 1996). In Doz and Hamel's (1998) view, such moves lead to co-specialisation as alliance members refocus on narrower range of core skills and activities and as opportunities become systems and solutions rather than discrete products. They see co-specialisation as the synergistic value creation that result from the combining of previously separate resources, positions, skills, brands, tangible assets, and knowledge sources. They argue that contribution of such unique and differentiated resources by alliance members leads "…to the success of their alliances, and alliances create value when those resources are co-specialised. That is, they become substantially more valuable when bundled together in a joint effort than when kept separate" (Doz and Hamel, 1998, p. 5).

Specific to the tourism (hotel) sector, Morrison's (1994, p. 27) study found that organisations formed alliances because of various reasons based on two fundamental strategic issues: accessing strategic resources and strategic benefits accruing from these alliances. Accessing strategic resources included: local access to a centralised international network; overseas marketing; facility of package and sell components of tourism products; videotext interactive system for member information update and comprehensive product information database. Strategic benefits involved: access to highly sophisticated computerised systems; participation in a global marketing network; training and support

[14] Intangible resources are less visible and Hall (1992) classifies them into two, namely: 'assets' – these are obvious things which one owns, including the intellectual property rights of: patents, trademarks, copyright and registered designs, contracts, trade secrets, data bases, reputation and networks; and 'skills', or 'competencies', which include the know-how of employees, suppliers, distributors; organisational culture.

programmes; operational efficiencies; all this while members retain independence of business ownership.

Organisational learning

Writers on strategic alliances indicate organisational learning as one of the major motivations for alliance formation (Kotabe et al., 2003; Tsang, 2002; Colombo, 2003; Taylor, 2005; Tsang, 1999). Organisational leaning has been an issue for discussion for many decades from both organisational theory and psychology (Cohen, 1991; Simon, 1991; Huber, 1991; Argyris, 1993; 1994; Argyris & Schön, 1978; 1996; Pansiri, 1996) and is seen as the focal tool for future competitiveness in strategic relations (Morrison & Mezentseff, 1997). It is beyond the scope of this thesis to offer a detailed examination of organisational learning. Organisational learning is complex and multidimensional (Tsang, 1997), and is concerned with enhancing progress of learning in order to improve individual and collective organisational actions via improved knowledge and understanding (Love & Gunasekaran, 1999), and has been seen as a more rational process within the domain of decision making and choice (Crossan & Berdrow, 2003).

Strategic alliance literature suggests two forms of learning. The first type of inter-organisational learning involves a process of adaptation (Tsang, 1999; Varadarajan & Cunningham, 1995). Tsang (1999, p. 215) refers to this process as "…learning from strategic alliance experience" which involves "…implementing technology transfers, managing the alliance per se and knowing about a new business environment" where the alliance is located. According to Varadarajan and Cunningham (1995), a firm's accumulated learning from its past involvement in strategic alliances is likely to have an impact on the effectiveness of its future alliances.

The second type of inter-organisational learning through strategic alliances is the absorption of deeply embedded knowledge from an alliance partner (Hamel, 1991). It is argued that alliances provide a platform for organisational learning, giving firms access to scarce knowledge, skills and competencies of their partners (Tsang, 2002; Taylor, 2005). Doz and Hamel (1998) also argue that alliances may be an avenue for learning and internalising new skills, in particular, those which are tacit, collective, and embedded (and thus hard to obtain and internalise by other means).

Strategic alliances should be able to achieve both types of inter-organisational learning. The first type is important for future inter-organisational relationships, while the second is essential for a company's internal operations. In the tourism literature, there is evidence of the two forms of inter-organisational learning. For instance, a study by Medina-Munoz and Garcia-Falcon (2000) suggest that knowledge of factors contributing to the success of the relationship between hotel companies and travel agencies is central to the management of ongoing relationships as well as in the selection of future partners. This supports the first type of inter-organisational learning. On the other hand, Go and Hedges (1994) argue that strategic alliances tend to blur the boundaries of firms and permit knowledge to move easily across boundaries, giving an organisation accessibility to stores of information that another organisation may have. This supports the second type of inter-organisational learning. Go and Hedges further maintain that information and knowledge is contained in the workers, the systems, and controls, and the technology of the firm which are too costly for an organisation to develop, but could be accessed through forming alliances.

Market entry and product development

In today's fast-paced world economy, it is true to say that companies lack the time to establish new markets one-by-one. Therefore, companies form strategic alliances in order to develop new markets/products, get a 'toehold' in a growing business, and enter into a new geographic market. Howarth et al. (1995, p. 14) support the above, by arguing that strategic alliances are an effective mechanism for gaining access to more customers. "A strategic partner may be able to provide access to extensive distribution channels, access to new markets and access to advanced supplier networks" (Howarth et al., 1995, p. 14). This is even more important when alliances are formed globally (Whipple & Gentry, 2000).

Market entry has been perceived as an important factor especially for organisations whose major products have short life cycles (Howarth et al., 1995). Uncertainty in these markets is high and the risk associated with uncertainty can be reduced by sharing them with a strategic alliance partner. Benefits occur due to the sharing of costs, the gaining of access to the partner's technology and learning, the pooling of limited resources and skills thus avoiding redundancy in activities, and the gaining of access to new markets and distribution channels (Howarth et al., 1995).

> In the early stages of the product-life cycle (particularly for short life-cycle products) it is important to introduce a product into the market quickly. Thus a reduction in time taken in the design, engineering and development phases will allow for more effective handling of competition… through the sharing of competencies and resources, a strategic alliance can provide a means to getting the product to the market rapidly and beating the competition to the starting line (Howarth et al., 1995, p. 16).

The Coopers and Lybrand (1997) study, cited by Elmuti and Kathawala (2001) found that 50 per cent of firms involved in alliances market their goods and services internationally versus 30 per cent of non-allied participants. The advantage of an alliance is that it allows a firm to market a full range of products to consumers around the world, without incurring the expense, both monetary and time, associated with other forms of business strategies of "going it alone" (Horton, 1998, p. 5). Strategic alliances have been identified as ways through which organisations can move into markets quickly, without the need for large direct investments. Howarth et al. (1995) argue that such agreements with foreign distributors provide a successful way for organisations to gain quick access to international markets.

Strategic alliances by tourism businesses have been associated with accessing new markets by new airlines (Go & Hedges, 1994) and market penetration (Dev et al., 1996). A study by Dev et al. (1996) of nine hotel brands, four car rental brands, and four airline brands show that tourism businesses which wish to follow a market penetration strategy seeking to increase their market share can effectively use strategic alliances to fulfil their strategies.

Watkins and Bell (2002) also found that organisations in the tourism industry in Australia collaborate in order to achieve stronger position in the market place. Contractor and Kundu (1998b) show that hotel firms listed in the International Hotel Group Directory have more than half a million rooms outside their home nation, and most of them had used equity joint ventures (15.8 per cent), and other non-equity strategic alliances like franchising (28.4 per cent) as entry modes. Contractor and Kundu (1998a) examined the internal (company characteristics and strategy) as well as external (country or locational) factors that lead international hotels to choose franchising instead of direct market entry. Their findings reveal that the propensity to franchise reflects a mix of factors related to both the nation where the hotel is located, as well as characteristics and strategy of the global hotel company. These factors include level of development of the intended foreign market; the extent of globalisation and international experience of the firm; and strategic factors such as the degree of investment in a hotels global reservation system and brand, as well as the size of its overall operations. Contractor and Kundu (1998a) further indicate that because of the difficulties in transferring skills and protecting intellectual property such as the brand name, franchising is easier in developed or advanced nations, but they also indicate opportunities in emerging markets where competition is initially weak.

3.3 Conclusion on strategic alliance motives

In order to address sub-questions (a) and (b) in Chapter One, this section sought to identify from the literature the major motives and how these motives have been addressed in the literature. This section has underscored the importance of internal and external drivers in strategic alliance formation. This thesis investigates internal and external drivers for alliance formation with a view to identify the most critical factors (sub-question a) and relate them to company executive characteristics (sub-question b).

Past research on organisations' motives to join or take part in strategic alliances is illustrated in Table 3.1. These motives are ranked according to the highest mean. What is notable is that these motives are varied. In the empirical study of motives to form alliances by industrial manufacturers, Whipple and Gentry (2000) tested 16 possible motives on three types of alliances: manufacture-material supplier, manufacturer-customer, and manufacturer-service supplier. Their five most important motives were: Increased customer service; Increased supplier/customer involvement; Improved quality; Reduced cycle time/lead time; and Stabilised supply/demand. All five emphasise firms' 'reputation and corporate image'. Glaister and Buckley (1996) tested 16 possible motivations for the formation of international strategic alliances and the five most important ones as indicated in Table 3.1 were: Gain presence in new market; Faster entry to market; Facilitate international expansion; Compete against common competitor; and Maintain market position. All five are concerned with relative competitive positions in either new or existing markets. Although statistical findings have not been provided, Faulkner (1995) investigated 11 possible motivations for the formation of international strategic alliances. There motives were: Turbulence in markets; Economies of scale and/or scope; Globalisation of the industry; Regionalisation of the industry; Fast technological change leading to ever-increasing investment requirements; Shortening product lifecycle; High economic uncertainty; Complementary assets; Existence of synergies between the companies; approximate balance in size and strength; and Compatible cultures.

The conclusion drawn from the above analysis is that no single study can capture all the motives for strategic alliance formation. Many of the above motives matter and need to be incorporated into any research framework because some of them are more important than others. The crucial ones, which this thesis investigates, are: Globalisation of the tourism industry; Rapid technological change; Legal requirements; Reputation and corporate image economies of scale; Strength of personal relationships; Developing/creating new markets; Volatility in the tourism market; Learning from each other; Brand names; General economic uncertainty; Entering new domestic markets; and Entering new international markets. Most of these motives have been studied before but not necessarily in one single study.

Table 3.1: Motives to participate in alliances

Glaister and Buckley (1996)			Whipple and Gentry (2000)		
Motivation	Mean	SD	Motivation[15]	Mean	SD
Gain presence in new market	2.46	0.73	Increased customer service	3.91	0.74
Faster entry to market	2.39	0.78	Increased supplier/customer involvement	3.65	0.91
Facilitate international expansion	2.35	0.84	Improved quality	3.61	0.93
Compete against common competitor	1.80	0.77	Reduced cycle time/lead time	3.59	1.00
Maintain market position	1.69	0.76	Stabilised supply/demand	3.45	0.92
Exchange of complementary technology	1.60	0.69	Increased customer loyalty	3.44	1.02
Economies of scale	1.59	0.71	Internal cost savings	3.38	1.00
Product diversification	1.53	0.71	Reduced inventory	3.36	1.03
Faster payback on investment	1.50	0.68	Achieved core competency	3.31	1.00
Concentrate on higher margin business	1.50	0.69	Access to information technology	3.22	1.15
Share R&D costs	1.46	0.67	Reduced price/costs	3.21	1.15
Spread risk of large project	1.46	0.68	Reduced supplier/customer base	3.13	1.06
Reduce competition	1.34	0.60	Increased utilisation of equipment/capacity	3.11	1.09
Produce at lower costs location	1.28	0.56	Access to R&D expertise	2.72	1.12
Exchange of patents/territories	1.25	0.48	Access to new markets	2.57	1.11
Conform to foreign government policy	1.13	0.42	Leverage capital investment	1.87	1.19
Notes: M = Mean; SD = Standard deviation					

Source: Glaister and Buckley (1996, p. 315) and Whipple and Gentry (2000, p. 312)

The discussion so far has centred on the first part of the framework for conceptualisation of the collaborative strategy process as depicted in Figure 3.1 - reasons (drivers) that motivate organisations to form strategic alliances. While not much work has been done on this subject with particular reference to the tourism industry, a wealth of knowledge has been drawn from the general literature with a view to understanding further these factors. This review of the literature underscores the need for further research particularly in tourism in order to understand how strongly tourism industry participants identify with these drivers when forming strategic alliances, rather than just using findings of research from different industries.

3.4 Types of strategic alliances

Although a number of studies attest that there are different forms of strategic alliances, there is lack of any consistent method for their classification (Faulkner, 1995). Table 3.2 represents a précis of different arrangements, which various researchers identify as strategic

[15] The means and standard deviations shown here are calculated averages of the three types of alliance descriptive statistics in Whipple and Gentry (2000, p. 310).

alliances. For the purposes of this thesis, strategic alliances have been classified into three forms: (a) Functional strategic alliances – Those alliances that involve a single functional area of the business and are narrower in scope. These include the first three of Buttery and Alan, (1994), Howarth et al. (1995) and, Elmuti and Kathawala (2001) strategic alliance in Table 3.2. (b) Structural vertical/horizontal alliances – Those alliances, which integrate organisations in the same industry/sector or suppliers and distributors or across industries. Examples of such alliances are those presented by Klint and Sjöberg (2003) and, Dussauge and Garrette (1999) in Table 3.2. (c) Legal form of alliances, i.e. franchise, joint venture or subcontracting. This include alliances listed by Buttery and Alan (1994), Clarke-Hill et al. (1998) and, Johnson and Scholes (1999) in Table 3.2. The following discussion considers some of the frameworks, which seek to classify strategic alliances.

Ghemawat et al. (1986) cited by Faulkner (1995) classify all alliances as either X, i.e. vertical coalitions (alliances between partners carrying out different activities in the value chain) or Y, i.e. horizontal coalitions (partners carrying out the same activity in the value chain) and by their legal nature (joint ventures, licenses, supply agreements).

Howarth et al. (1995) draw their framework from Moss Kanter's (1989) classification of strategic alliances into three broad groupings namely:

1. Service alliances: the cross-country consortium, referring to a group of organisations with similar need, often in the same industry, who band together to create a new entity to fill that need for all of them.
2. Opportunistic alliances (joint ventures) formed by organisations which have seen an opportunity to gain an immediate, though perhaps temporary, competitive advantage through an alliance that gets them into a new business or extend an old business.
3. Stakeholder alliances, defined as 'complementary' between a number of stakeholders in a business process who are involved in different stages of the value-creation chain.

To this classification, Howarth et al. (1995) incorporated four additional dimensions that they argue; strategic alliances can differ on. These are:

1. The local/transnational dimension - this indicates whether the alliance spans national boundaries.
2. Formal vs. informal linkages - differentiated on the amount of binding contractual arrangements.
3. Equity vs. non-equity partnerships - differentiated on the basis of financial investment by one partner in the other's business.
4. The single purpose/multi-purpose dimension - which separates those alliances that are formed for a single, generally short-term objective, from those that involve several potentially complex resource flows between the partners.

Another model of alliance classification is one developed by Faulkner (1995). Strategic alliances are classified along three axes, namely; the scope of the alliance, (i.e. focused or complex); the creation or otherwise of a new corporate legal entity, (i.e. a joint venture or more flexible collaboration); and the number of alliance partners, (i.e. two partners or a consortium). From this classification Faulkner came up with eight possible combinations of strategic alliances namely:

1. Focused joint venture [focused/joint venture/two partners].
2. Focused consortium [focused/joint venture/consortium].
3. Focused collaboration [focused/non-joint venture/two partners].
4. Focused multi-partners collaboration [focused/non-joint venture/consortium].
5. Complex joint venture [complex/joint venture/two partners].
6. Complex consortium [complex/joint venture/consortium].
7. Complex collaboration [complex/non-joint venture/two partners].
8. Complex multi-partner collaboration [complex/non-joint venture/consortium].

Faulkner (1995) concluded that some alliances are simpler and less committing than others and that some types will develop out of others. For example, a focused collaboration alliance where two partners agree to work together on a defined project (simplest type), may develop into a complex type of alliance.

Table 3.2: Types of alliances

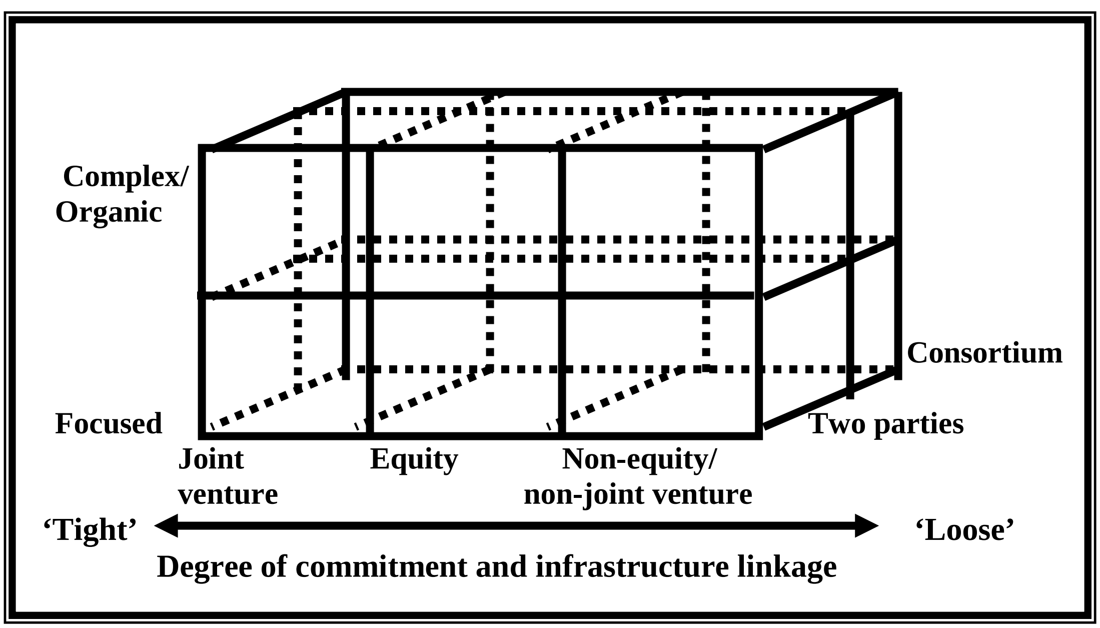
Clarke-Hill et al. (1998): Hierarchy of alliance types • Controlling interest or full merger with retained identity of subsidiary • Partial acquisition and equity participation • Joint ventures • Equity participating alliances • International alliances with central secretariats • Co-marketing agreements • National buying clubs • Loose affiliations	*Buttery and Alan, (1994): Categories of collaborative arrangements.* • Benchmarking • Licensing and franchising arrangements • Supplier-buyer relationships • Joint ventures • Technological alliances • Consortia	*Howarth et al. (1995): Framework* • Service cross-country consortium (R&D groups; keiretsu; chaeobols) • Opportunistic (joint venture, licensing, venture capital; specialisation) • Stakeholder (share value-adding, franchising, customers suppliers, employee/management)
	Johnson and Scholes (1999): Types of strategic alliances • Networks • Opportunistic alliances • Subcontracting • Licenses • Franchises • Consortia • Joint ventures • Acquisitions • Mergers	*Elmuti and Kathawala (2001): Types of strategic alliances* • Joint marketing/promotion • Joint selling or distribution • Production alliances • Design collaboration • Technology licensing • Research and development contracts • Outsourcing
Klint and Sjöberg (2003): Classification of strategic networks • Vertical networks • Horizontal networks • Lateral networks • Virtual networks • Open networks • Permeable networks • Closed networks • Business opportunity networks • Hollow networks • Institutional networks	*Faulkner (1995): Different forms of alliances* • Technology development coalitions • Marketing and distribution agreements • Options and logistics coalitions • Single-country and multi-country alliances • Joint ventures creating a daughter company from two or more parent partners • Minority share exchange agreements • Licensing	*Dussauge and Garrette (1999): Types of alliances* • International expansion joint ventures • Upstream vertical partnerships • Downstream vertical partnerships • Cross-industry agreements • Complementary alliances • Shared-supply alliances • Quasi-concentration alliances

Dussauge and Garrette (1999) present a general typology of strategic alliances. Their point of departure is that alliances can be divided into several clearly distinct categories. At a first level, they distinguish strategic alliances forged between non-competing firms (those companies from different industries), which are not in direct competition with one another, from alliances between rival firms. They argue that alliances between rival firms raise problems "both from an anti-trust point of view and in terms of managing the relationship between the allied competitors" (p. 47). Dussauge and Garrette further observe that at the second level there are different types of alliances within those two broad categories. The non-competing firms' category of strategic alliances include international expansion joint ventures, vertical partnerships and cross-industry strategic alliances. On the other hand, Dussauge and Garrette argue that strategic alliances forged between rivals take on three different forms namely: shared-supply alliances, quasi-concentration alliances and complementary alliances.

The various types of alliances discussed above can be consolidated as in Figure 3.2. This proposed framework also borrows from Bierly and Kessler's (1998) argument that generally strategic alliances can be classified into three broad categories - joint ventures, non-equity (contractual) alliances and equity alliances. Figure 3.2 presents three dimensions for understanding strategic alliances as follows which will further be discussed:

- 'Tight' to 'loose' dimension - strategic alliances can range from 'tight' to 'loose' in terms of the degree of alliance partners' commitment and infrastructure linkages. Within this continuum, strategic alliances can vary from joint ventures to non-equity ventures alliances.
- Complex/organic or focused.
- Two party or multi party alliances.

Figure 3.2: Strategic alliance options



Source: Adapted from Faulkner (1995), Howarth et al. (1995), Clarke-Hill et al. (1998)

'Tight'/'Loose' continuum

Figure 3.2 shows that there are a variety of arrangements for strategic alliances, which can be classified on a 'loose' to 'tight' continuum based on the degree of commitment and infrastructure linkages, defined by the extent of asset management, asset separability and asset appropriability[16] (Clarke-Hill et al., 1998; Limerick, Cunnington & Crowther, 2002; Johnson & Scholes, 1999). Some may be much formalised inter-organisational relationships (i.e. joint ventures), while others may be very loose arrangements of co-operation and informal networking between organisations, with no shareholding or ownership involved [i.e. non-equity/non-joint ventures] (Johnson and Scholes, 1999). Therefore, it can be argued that different forms of alliances that organisations involve themselves in are largely distinguished by the level of asset separability and asset appropriability in the alliance. On this continuum are joint ventures, equity alliances and non-equity alliances which are further explained below.

Joint Ventures

These are arrangements where a new, legally separate company is created by the combination of the resources of the alliance partners (Faulkner, 1995; Bierly & Kessler, 1998). Partners take active roles in formulation of the entity's strategy and provide resources (financial, material and personnel), until the venture is able to develop on its own. According to Faulkner (1995), the aim of the joint venture is that the new company should become a self-standing entity with its own aims, employees and resources. Howarth et al. (1995) see joint ventures as alliances motivated by an opportunity to gain an immediate competitive advantage and have also been seen as an effective mode of governance for transferring and integrating tacit knowledge, developing innovative capacity (through

[16] Johnson and Scholes, (1999) define asset management as the extent to which assets (financial, physical, access to market, and intellectual capital) do or do not need to be managed jointly, while asset separability is seen as the extent to which it is possible to separate the assets between the parties involved. They define asset appropriability as the extent to which there is a risk of one or other of the parties involved appropriating the assets for themselves.

R&D), aligning the strategic goals of partners to minimise cheating, and developing a long term relationship (Bierly and Kessler, 1998).

While joint ventures present new opportunities with risks that can be shared, they often limit the discretion, control, and profit potential of partners, while demanding managerial attention and other resources that might be directed toward the firm's mainstream activities. Furthermore, the other risk in such ventures is the threat that partners may have different learning rates, such that one firm's competitive advantage may erode as critical tacit knowledge is leaked (Bierly and Kessler, 1998), leading to possibilities that the company that has gained more may decide to move out of the venture and stand alone. In Figure 3.2, joint ventures have been classified at the extreme left of the 'tight' to 'loose' continuum, based on the degree of commitment and infrastructure linkages. Because they involve a high degree of commitment, they limit a firm's strategic flexibility.

A company can embark on various expansion options and types of alliances. It is important to note that joint ventures are more 'tight' than any other form of alliance option represented in Figure 3.2. They can take a variety of ways as indicated in Faulkner's (1995) focus/complex alliance classification and can also either be international or domestic.

Equity strategic alliances

Equity participation as forms of strategic alliances are agreements involving one of the partners purchasing a portion of a partner's equity capital (Terpstra & Simonin, 1993; Bierly & Kessler, 1998; Kauser & Shaw, 2004). While there is no new separate entity formed, either one of the parties or both may have an equity position in each other. Bierly and Kessler further argue that the firm taking the equity position has better access to information, can monitor performance and has more control. Terpstra and Simonin (1993) observe that equity strategic alliances differ from the traditional joint venture in that no new entity is created.

> Instead, one firm buys a share of an existing firm, usually because of a desire for greater control than is available in a contractual arrangement. An equity stake alliance is favourable for the development of common projects, as it is a more durable relationship than contractual agreement and less subject to quick termination when problems arise (Terpstra & Simonin, 1993, p. 7).

In Figure 3.2, equity alliances have been classified as moderate in the 'tight' to 'loose' continuum, because firms enjoy less commitment and more flexibility as compared to joint ventures. Just like joint ventures, they can take a variety of forms as indicated in Figure 3.2. They can range from focused to more complex arrangements. Conceptually that can involve more than two partners though their definition is limited to two partners as in Terpstra and Simonin (1993), Bierly and Kessler (1998) and Kauser & Shaw (2004). They have been identified as partial acquisitions and equity participating alliances by Clarke-Hill et al. (1998). Terpstra and Simonin (1993) cite Mitsubishi Heavy Industries buying of a 20 per cent stake of Beloit in the papermaking equipment industry as an example of an equity strategic alliance. Bierly and Kessler, see equity alliances as problematic since it is more difficult to transfer and integrate knowledge than when using a joint venture.

Non-equity alliances

These are contractual alliances that do not include an equity position. In Figure 3.2, non-equity alliances have been classified as 'loose' because they not only provide more flexibility for partners (less commitment), but are also less sophisticated and usually short-term. Bierly and Kessler argue that non-equity alliances are very efficient for explicit, simple arrangements, but often fail because contracts cannot be written that provide adequate control of the partnership. It is important to note that these alliances are more 'loose' than any other form of alliance option represented in Figure 3.2. They can take a variety of forms and can be either international or domestic.

International/Domestic

The domestic and international dimension indicates whether or not the alliance transcends national boundaries. Organisations form both domestic and international alliances. Bleeke and Ernst (1995) report that both domestic and international alliances are growing at the rate of 25 per cent annually in the USA. International alliances are a useful vehicle for international strategy (Bleeke & Ernst, 1991; 1995; Dussauge & Garrette, 1999). They are established to speed entry into new markets, develop and commercialise new products, gain skill and share costs (Bleeke & Ernst, 1991). Dussage and Garrette (1999) observe that after establishing a dominant position in their domestic markets, companies can then successfully internationalise. This view is opposed by Etemad et al. (2001) who argue that while competition in global markets was traditionally the realm of large companies, with smaller businesses remaining local or regional, the global competitive environment has dramatically changed, allowing SMEs to compete globally by entering into cooperative relationships with larger, multinational enterprises, allowing SMEs to reach global markets and achieve economies of scale. It is therefore imperative to note that companies can enter into different types of alliances as shown in Table 3.2, at either domestic or international level, or both. A company can therefore be involved in a network of intricate alliances at domestic and international level at the same time, depending on which strategies are being pursued.

Focused/Complex (Organic) Alliance

This dimension indicates the complexity of alliance relationships a company involves itself in. The focused alliance has been defined by Faulkner (1995) as a collaborative arrangement between two or more companies, set up to meet a clearly defined set of circumstances in a particular way. “The precise form of arrangement may vary, but the nature of the alliance is focused, with clear remits and understanding of respective contributions and rewards” (Faulkner, 1995, p. 26). On the other hand, organic/complex alliances may display a number of characteristics. Firstly, a company may be involved in a bilateral alliance but involving certain parts or even the entire organisation of each partner (Faulkner, 1995). For example, such an alliance may include joint R&D, joint manufacturing, joint development and sourcing of parts. Secondly, many organisations today are involved in multiple alliances, often with multiple partners (Doz and Hamel, 1998). “Many firms are involved in several alliances, …While some, such as Corning, find ways to keep their alliances separate and run them as portfolios of discrete bilateral relationships, others find themselves entangled in a complex web of interdependent relationships” (Doz and Hamel, 1998, p. 221). Astley and Fombrun (1983) see the organisational world as imbued with transitive relations that create a subtle and highly ramified interconnectedness among its elements. They further argue that “resource flows between apparently distant, but symbiotically related, sectors of the economy create, in effect, a giant corporate web” (Astley and Fombrun, 1983, p. 584). This creates a relationship of true interdependence, to the mutual advantage of all involved in the alliance network (Etemad et al., 2001).

Two Party/consortium

This dimension indicates the number of alliance partners. The number of alliance partners run from just two to many. Terpstra and Simonin (1993) argue that the distinction between two-partners and consortium cooperations is relevant particularly in the light of increased degree of complexity of alliance formations because this affects how a strategic alliance is managed. A consortium is a distinct form of strategic alliance among three or more parties, regardless of the equity structure (Terpstra & Simonin, 1993; Faulkner, 1995). Consortia are common in large projects where the resources and capabilities of any two firms are inadequate and may involve government agencies as partners (i.e. in the defence industry). The literature support the view that consortia are mostly prevalent in industries with very heavy development demands (Terpstra & Simonin, 1993). For instance in the aircraft industry, a number of European shareholders set up Airbus Industries as an aircraft manufacturing company to compete with Boeing and McDonnell Douglas (Faulkner, 1995). In the electronic industry, Terpstra and Simonin (1993) observe that Toshiba (Japan), Siemens A.G. (Germany), and General Electric Co. (United States) agreed to combine their technologies in microchips into a ‘cell library’ where each participant researches and develops their own cell that are then added to the common library.

3.5 Focusing the strategic alliances debate

The above discussion on strategic alliance options and classification does not offer solutions as to what form of classification (as listed in Table 3.2) should be termed strategic alliances. This is imperative because not all forms of inter-organisational collaborations are strategic alliances. However, as Table 3.2 shows, the debate and views on this subject is varied and not easily reconcilable. For instance, Tidd, Bessant and Pavitt (2001, p. 202) distinguishes strategic alliances from other collaborative arrangements (subcontracting, cross-licensing, consortia, joint venture and network) while a number of authors in Table 3.2 have listed some of these arrangements as strategic alliances.

One perspective that attempts to consolidate these divergent arguments is proposed by Yoshino and Rangan (1995) and also adopted by Mockler et al. (1997) and Mockler (2001) as shown in Figure 3.3. Using the three necessary and sufficient characteristics of strategic alliances (discussed earlier in this chapter), Yoshino and Rangan (1995) set out to delineate the parameters of strategic alliances. They argue that mergers, acquisitions, licensing, and cross-licensing agreements, franchising, joint ventures subsidiaries of multinational corporations, and buy/sell and other contracts are not strategic alliances. However, considering arguments by Mockler et al. (1997) and Mockler (2001) mean that some of these collaborative arrangements which Yoshino and Rangan (1995) perceive not as alliances could still be considered as strategic alliances.

While Mockler et al. (1997) and Mockler (1999; 2001) concur with Yoshino and Rangan's (1995) characteristics of strategic alliances, and their itemisation of the same as indicated above, they differ in their categorisation of licensing and franchising agreements. Yoshino and Rangan, (1995, p. 6) maintain that "licensing and franchising agreements, because they do not call for continuous transfer of technology, products, or skills between partners, are not strategic alliances, nor are cross-licensing arrangements that involve continuing exchange of technology but not shared control over technology-related tasks." On the other hand, Mockler, (1999, p. 6) see strategic alliances as ranging "…from those having minimal interaction – as in licensing agreements that require only some updating of technologies – to large, highly interactive, and continuing joint ventures."

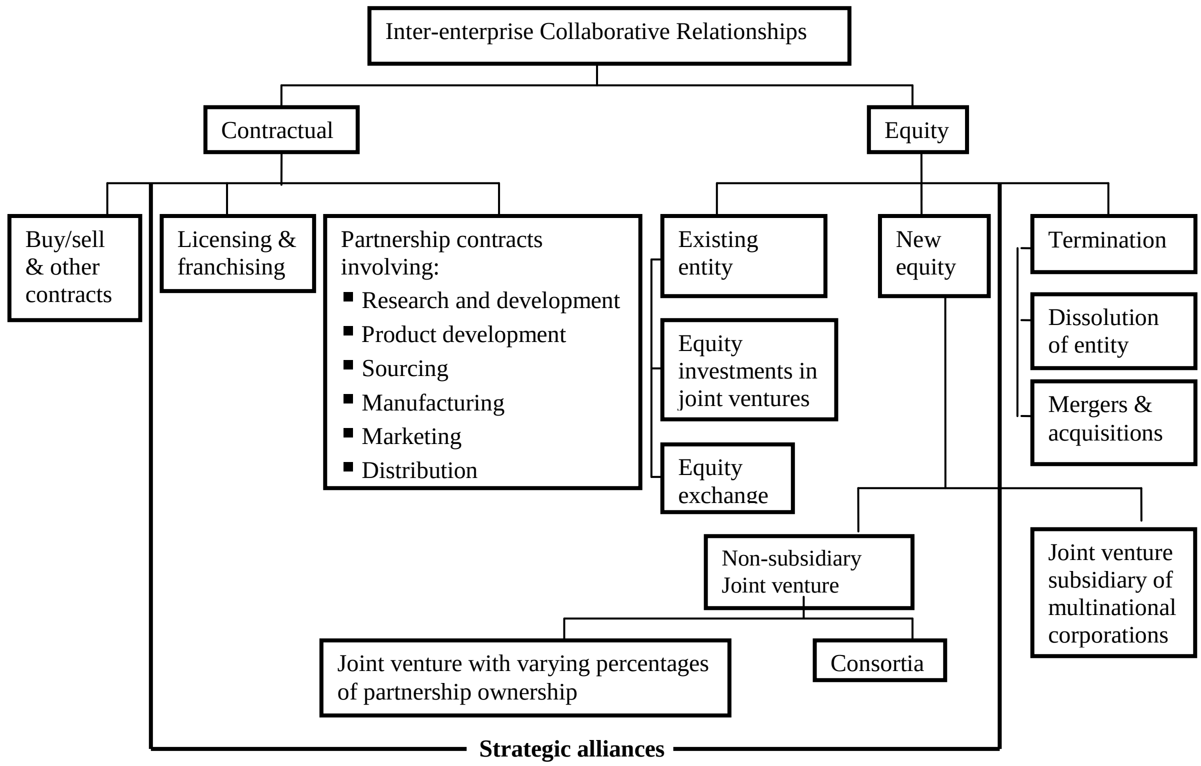
Strategic alliances come in many shapes, sizes and kinds, and can range from 'tight' (e.g. joint ventures) to 'loose' (e.g. non-equity ventures) arrangements entered into by domestic or international organisations. While strategic alliances are part of a whole range of collaborative agreements that organisations enter into, the discussion has shown that there is no common agreement among various authors on what is a strategic alliance. More confusing is the irreconcilable polarity of alliance categorisation, raising issues of whether some organisational arrangements which some authors perceive as strategic alliances are really alliances at all. Faced with this dilemma, this thesis relies on Yoshino and Rangan's (1995) three necessary and sufficient characteristics of strategic alliances, to identify a range of collaborative arrangements, which could be, classified as strategic alliance. These include partnership contracts involving (research and development, product development, sourcing, manufacturing, marketing, distribution/service), existing equity (equity investments in joint ventures, equity exchange), non-subsidiary joint venture, joint ventures with varying percentages of partner ownership and consortia. Further investigation into the subject by Mockler (1999) shows that licensing and franchising can also be included as strategic alliances as they still can meet the three necessary and sufficient characteristics of strategic alliances, particularly in the tourism industry where there is evidence of a two-way information exchange between the franchisor and franchisee (Contractor & Kundu, 1998a).

Licensing and franchising have been viewed as mostly relevant to be seen as strategic alliances, particularly in the tourism industry. Franchising has been defined as "…an organisational form in which the owner of a protected trademark grants to another person, for some consideration, the right to operate under this trademark for the purpose of producing or distributing a product or service" (Contractor & Kundu, 1998a, p. 29). The dilemma of whether or not licensing and franchising constitute a strategic alliance is best clarified by Contractor and Kundu (1998a)who argue that franchising in hotels goes beyond just simple involvement in competition based on brand but on differences in the business methods, procedures, and services offered to customers through strategic partnerships. They call this process “business format franchising” defined by the U.S.A. Department of Commerce (1988) as cited by Contractor and Kundu (1998a, p. 29), as an on going business relationship between franchiser and franchisee that include not only the product, service, and trademark, but the entire business concept itself – a marketing strategy and plan, operating manuals and standards, quality control, and a continuing process of assistance and guidance. Contractor and Kundu (1998a, p. 29) therefore argue that:

> Hotel chains try to distinguish themselves from others by their brand names, architectural designs, levels of service, computerized reservation systems, and global logistics delivery. The hotel business involves as much ‘technology’ or proprietary competitive expertise, as manufacturing systems. In the hotel business, therefore, a franchise is not merely a matter of signing an arms-length contract and then passively raking in the royalties. Rather, it is an ongoing relationship that can include continuing injections of product developments from the franchisor to the franchisees, daily materials supplies, and continuous two-way exchange of marketing data and international strategy information. The legal form may be a contract, but the de facto organizational behaviour is an involving strategic partnership between franchisor and its franchisees. In the case of an international hotel company, each franchise comprises a piece of an overall global strategy.

In order to address the research question and its sub-questions in Chapter One, it is necessary to understand what alliances are and their different types. This section does that. Figure 3.3 shows those collaborative arrangements, which are strategic alliances. These exclude contractual arrangements like buy/sell and other contracts, terminations arrangements like dissolution of entity and mergers and acquisitions, and new equity ventures like joint venture subsidiaries of multinational corporations. The following types from Table 3.2 and Figure 3.3 also listed by Pansiri (2005a) are accepted as strategic alliances: joint ventures; licensing; franchises; marketing and distribution agreements; production and manufacturing alliances; research and development contracts; technology development coalitions. However, since this study is in the tourism industry, which is essentially a service industry, production and manufacturing alliances, and research and development contracts, are excluded from strategic alliance types to be studied because they are not relevant to the travel sector.

Figure 3.3: Types of inter-enterprise collaborative relationships



Source: Adapted from Yoshino and Rangan (1995, p. 9).

3.6 Choice of alliance partners

Strategic alliance selection has been cited as one of the reasons that account for the successful implementation of strategic alliances (Kanter, 1994; Brouthers & Wilkinson, 1995; Faulkner, 1995; Mendleson & Polonsky, 1995; Medcof, 1997; Evans, 2001; Hagen, 2002). Many authors have called for more empirical studies of the underlying causes of successful alliances (Smith, Carroll & Ashford, 1995; Varadarajan & Cunningham, 1995; Saxton, 1997; Medina-Munoz & Garcia-Falcon, 2000). Saxton (1997, p. 444) argues that scholars know very little about the underlying causes of successful alliances and that "what is lacking is systematic analysis within a sample of alliances of the factors associated with those that are more satisfactory and beneficial to partner firms". The response to this has been encouraging. For example, Shamdasani and Seth (1995) investigated the influence of three relational predictors - competence, commitment and compatibility on partner firm's evaluation of its alliance relationship on two aspects – satisfaction and continuity. They found that these predictors strongly influence alliance satisfaction and continuity.

Past research also indicate that finding the right alliance partner is extremely important because the failure of many alliances can easily be traced to partner selection at the planning stage, because it is at this stage where risk minimisation should be addressed (Holtbrügge, 2004). The emphasis on choosing the right partner suggests that social relationships play an important role in the control and coordination of strategic alliances (Jordan & Lowe, 2004). Geringer (1991) argues that the importance of partner selection is that it influences the overall mix of available skills and resources, the operating policies and procedures, and the short- and long-term viability of an alliance. Because of this, it is therefore critical for prospective alliance partners to understand the process of partner selection and the variables, which influence that process. In choosing appropriate partners, strategic alliance research identifies four Cs (compatibility, capability, commitment and control) as criteria for successful pre-selection of alliance partners (Kanter, 1994; Faulkner, 1995; Mendleson & Polonsky, 1995; Brouthers & Wilkinson, 1995; Medcof, 1997; Hagen, 2002). In addition many authors have also identified trust as an important variable determining whether an alliance can be maintained or not (Howarth et al., 1995; Hitt et al., 1996; Medcof, 1997; Das & Teng, 1998; García-Canal, Duarte, Crido & LIaneza, 2002). This variable is perceived as an important determinant of alliance continuity and has been taken into account in the research framework as shown in Figure 3.1. The following is a discussion of each of these factors:

Compatibility

Kanter (1994) observes that like relationships between people, organisation relationships begin with courtship, where organisations attracted to each other seek to discover their compatibilities. Compatibility is cited as one of the main ingredients for a successful alliance because the sophistication and expression of the strategy will not work if the relationship is not workable (Hagen, 2002). The degree of compatibility among partner firms has been found to be an important predictor of the success or failure of joint ventures (Shamdasani & Seth, 1995). Compatibility covers an array of issues including broad historical, philosophical, and strategic grounds, values and principles, and hopes for the future (Kanter, 1994), as well as cultural and organisational issues (Shamdasani & Seth, 1995). In strategic alliance research, compatibility has been viewed within the context of strategic compatibility, defined as "…the extent to which an alliance partner has complementary goals and shares similar orientations that facilitate coordination of alliance activities and execution of alliance strategies" (Shamdasani & Seth, 1995, p. 11).

Studies linking strategic alliance formation to compatibility of partners in tourism are lacking. The literature cited above suggests that it is important for potential partners to find a certain level of compatibility between them in order to form an alliance. Therefore, the absence of tourism literature on compatibility of alliance members does not suggest that such a consideration is not done. This thesis takes the view of previous studies in strategic alliances in general by linking strategic alliance formation to compatibility of partners.

Capability

The 'Resource-based view of the firm' identifies an organisation as a collection of unique resources and capabilities that provide the basis for its strategy and is the primary source of its returns. Hitt et al. (1996) maintain that capabilities emerge over time through complex interactions between and among tangible and intangible resources, and they represent an organisation's capacity to deploy resources that have been purposely integrated to achieve a desired end state. Hitt et al. (1996) further see skills and knowledge as the primary base of an organisation's capabilities which are often developed in specific functional areas such as manufacturing, R&D, marketing and advertising. Therefore partner selection is also based on whether the operational capability in terms of resources and core-competencies is present for the respective partners (Hagen, 2002).

In general terms, competence has been referred to as the ability or fitness to perform (Shamdasani & Seth, 1995). Hence an organisation's core-competencies represent the "…collective learning in the organisation, especially how to coordinate diverse skills and integrate multiple streams of technologies" (Prahalad & Hamel, 1990, p. 82). In the context of strategic alliances therefore, the issue of capabilities concerns how complementary competencies between organisations can be coordinated effectively to maximise the partnership's competitive advantage (Shamdasani & Seth, 1995). Shamdasani and Seth also argue that in ongoing strategic alliances, this could be determined by continuity decisions. These are decisions closely related to the overall satisfaction or dissatisfaction with the strategic alliance based on evaluation of outcomes and experiences received in the past and reflect expectations of future cooperation.

Within the context of tourism, the general view has been that businesses form strategic alliances for defensive[17] and innovative[18] objectives (Morrison, 1994). These objectives relate to capabilities as the basis for competitive strategy. The majority of tourism businesses are SMEs (Bolin & Greenwood, 2003) with limited capital investment, lack of specialist training and design and maintenance of ICT systems (Evans & Peacock, 1999). A study by Chen and Tseng (2005) supports the idea of partner selection based on capability. Their study assesses the performance of marketing alliances between the tourism industry (hotels, restaurants, travel agencies and entertainment establishments) and credit card issuing banks. Their findings show that 'partners having excellent resources' and 'the potential for mutually beneficial relationship' are the two major criteria tourism companies used in selecting alliance partners.

[17] Morrison (1994, p. 26) observes that defensive objectives involve gaining "strength in competing against the corporate chains by achieving advantages through economies of scale and the fashioning of a common brand identity, thus seeking to replicate the strength of the corporate chains".
[18] Morrison (1994, p. 26) observes that innovative objectives involve exploiting new opportunities presented by changes in communications technology and global markets in order to achieve competitive advantage through innovation, with new products and services.

Commitment

Commitment to the alliance is the keystone to success (Hagen, 2002), and is an essential element in social exchange behaviour. Ohmae (1989, p. 151) warns against one-sided asymmetry of effort and attention that have doomed relationships, and pronounces that "…alliances are like marriage – they only work when both partners do." Commitment has been described as a pledge by alliance members to undertake certain actions that will facilitate the attainment of the alliance's strategic goals (Shamdasani and Seth, 1994). Morgan and Hunt (1994, p. 23) define relationship commitment as "…an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely." Moorman, Zaltman and Deshpandé (1992, p. 316) define commitment to the relationship as "…an enduring desire to maintain a valued relationship." Therefore, a partner's commitment is manifested by the extent to which a partner is willing and able to commit resources (time, tangible and intangible) to fulfil the goals and objectives of the alliance, and be able to display the desire and intent to maintain the alliance.

Medina-Munoz and Garcia-Falcon's (2000) study of inter-organisational relationships between hotels and travel agencies found that commitment has a positive effect on 'overall success' and 'satisfaction with travel agent marketing support'. They argue that for hotels to have successful relationships with travel agencies, they should show more commitment or dedication to maintaining the relationships.

Control

The fourth partner selection variable cited by Medcof (1997) relates to the control of an alliance, and whether such control is likely to contribute to alliance effectiveness. Control is used in this thesis to refer to "…a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state" (Das & Teng, 1998, p. 493) or "…the process by which one entity influences, to varying degrees, the behaviour and output of another entity …through the use of power, authority …and a wide range of bureaucratic, cultural and informal mechanisms" (Geringer and Hebert, 1989, pp. 236-237). Control is not only a crucial organisational process but also a complex and multidimensional concept that many researchers over the years have studied using different approaches (Geringer & Hebert, 1989). The literature suggests that control is a key source of confidence in partner cooperation (Parkhe, 1993b; Gulati, 1995a), therefore organisations in alliances tend to be more confident about partner cooperation when they feel that they have adequate level of control over their partners (Das & Teng, 1998). At the same time, the very control that is supposed to enhance partner confidence in the alliance may stifle autonomy and flexibility of alliance members.

While strategic alliances present new opportunities with risks that can be shared, they often limit the discretion, control, and profit potential of partners, while demanding managerial attention and other resources that might be directed toward the firm's mainstream activities (Hitt, et al., 1996). Howarth et al. (1995) argue that strategic alliances also present costs and risks to partner organisations because of their organisational form, and they associate these with organisations' loss of autonomy and flexibility accompanied with possible relegation to an inferior position in the alliance. Therefore, control challenges facing decision makers in alliances involves what level of authority one should have in using and developing alliance capabilities, and to what extent should it be shared among alliance partners through the various management committee meetings in order to prevent one partner becoming dominant (Gomes-Casseres 1997).

Geringer and Hebert (1989) distinguish three complementary and interdependent dimensions through which alliance partners tend to conceive control: (a) the focus of control, i.e., the scope of activities over which alliance partners exercise control. (b) extent – the degree of control they wish to exercise, and (c) mechanisms – how they wish to exercise control, e.g. at board meeting, informally, or by retaining the right to make their own decisions on certain issues. However, researchers suggest that there is no one best way control can be exercised, therefore it differs from context to context and from alliance to alliance taking into account varying considerations. For example, Evans (2001) suggests that in some cases, when strong focused leadership is required, and the interests of all members are closely aligned with those of the leading firm, control dominance by one firm might be desirable. However, in other circumstances, the leading firm's actions might be perceived as opportunistic, making the power imbalance among partners a potential for conflict. The critical issue that needs attention, in Evans' view is the assessment of alliance control in a way in which each partner is able to achieve the strategic objectives it has set when entering into an alliance relationship. A study by Medina-Muñoz, Medina-Muñoz and Garcia-Falcon (2003) suggest how important it is for tour operators to exercise control over the accommodation companies with which they deal. It is equally true that accommodation companies should exert the same level of control on their strategic alliance partners for example, tour operators.

Trust

Trust is considered one of the core features of a relationship (Perry, Cavaye & Coote, 2002), and an important strategic asset in many strategic alliances because all aspects of a cooperative relationship cannot be specified in a contract (Hitt et al., 1996; García-Canal et al., 2002). The study of trust has occupied scholars from a number of disciplines. What is notable in most of these studies is that there is no common definition of trust (Bhattacharya, Devinney & Pillitla, 1998) although it is clear that the efficiency, adjustment, and even survival of any social group depends upon the presence or absence of such trust (Rotter, 1967). From the diverse body of scholarly work, Rousseau, Sitkin, Burt and Camerer (1998) suggest that trust is a "meso" concept, integrating micro-level psychological processes and group dynamics with macro-level institutional arrangements. The Academy of Management Review (July 1998 issue) devoted much attention to the study of trust from diverse perspectives with differing definitions. The most commonly cited definition in this issue is one by Mayer and Davis (1995, p. 726) who see trust as "…a willingness to be vulnerable to another party". This definition was adopted by McKnight, Cummings and Chervany (1998); Mishra and Spreitzer (1998) and Jones and George (1998). Doney, Cannon and Mullen

(1998, p. 604) define trust as "…a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable".

The issue of vulnerability as an important aspect of trust has also been referred to by many scholars including Bigley and Pearce (1998), Lewicki, Mcallister and Bies (1998) Whitener, Brodt, Korsgaard and Werner (1998), and Bhattacharya et al.(1998). Trust exists when one party has confidence in an exchange partner's reliability and integrity (Morgan & Hunt, 1994) and is defined by Rousseau et al. (1998, p. 395) as "…a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another." From this perspective, Rotter (1967, p. 651) defines trust as "…an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon." Moorman et al. (1992, p. 315) and Moorman, Deshpandé and Zaltman (1993, p. 82) develops upon Rotter's definition to conceive trust as "…a willingness to rely on an exchange partner in whom one has confidence." This definition covers the two general approaches to trust in the literature (Moorman et al., 1992; 1993; Perry et al., 2002).

> First, trust has been viewed as a belief, sentiment, or expectation about an exchange partner's trustworthiness that results from the partner's expertise, reliability, or intentionality …Second, trust has been viewed as a behavioral intention or behavior that reflects a reliance on a partner and involves vulnerability and uncertainty on the part of the trustor (Moorman et al., 1992, p. 315).

From these diverse definitions of trust, Bhattacharya et al. (1998) develop several themes of how trust can be viewed. These themes cast reflections on the relevance of trust to strategic alliances. They argue that trust:

- Cannot exist in an environment of certainty.
- Reflects an aspect of predictability.
- Exists in an environment of mutuality.
- Any definition of trust must account for the strength and importance of trust.
- Trust is 'good'.

There is a general agreement across disciplines that trust is important in a number of ways: it enables cooperative behaviour; promotes adaptive organisational forms, such as strategic alliances and network relations; reduces harmful conflict; decreases transaction costs; facilitates rapid formulation of ad hoc work groups; and promotes effective responses to crises. All of these reasons are relevant to the survival of strategic alliances.

Trust has been seen as critical in organisational relationships (Perry et al., 2002) and strategic alliances in particular (Howarth et al., 1995; Hitt et al., 1996; Medcof, 1997; Das & Teng, 1998; García-Canal et al., 2002). There is evidence which suggests that firms entering strategic alliances are potentially vulnerable to the opportunistic behaviour of their partners (Hamel, Doz & Prahalad, 1989; Gulati, 1995b; 1995c). Das and Teng (1998) maintain that inter-firm trust is a source of confidence in partner cooperation and in strategic alliances, it seems wide ranging in character, including lowering transaction costs, inducing desirable behaviour, reducing the extent of formal contracts, and facilitating dispute resolution. Trust should not only be conceived as an input but also as an output – gradually developed and accumulated over time through the development of a relationship. Hence, García-Canal et al. (2002) argue that the trust generated by partners, in part due to the efforts of both with respect to the maintenance of personal contacts among the managers allows the alliance to overcome certain critical moments in its development. Therefore Hitt et al. (1996) cautions against opportunistic behaviour in strategic alliance, exemplified by cheating, shirking, distorting information, misleading partners, providing substandard products/services, and appropriating partners' critical resources (Das and Teng, 1998). Such practices can only develop a reputation that will prevent future cooperative opportunities because the organisation will be considered untrustworthy by potential partners. While on the other hand, if an organisation has developed a strong reputation in cooperative relationships, potential partners know that a strategic alliance formed with such a firm is likely to be successful hence they will be willing to be involved in the strategic alliance.

Citing a number of authors, Medina-Munoz and Garcia-Falcon (2000) observe that trust seems to be important in relationships between hotels and travel agents, to the extent that successful relationships can be identified by their participants' trusting of each other and meeting their commitments. This is confirmed by Medina-Munoz and Garcia-Falcon's (2000) findings which show that 'the extent to which the travel agent is trustworthy' and 'overall trust in the relationship' are positively associated with both 'overall success' and 'satisfaction with marketing support'. They conclude that "…more successful relationships with travel agents exhibited higher levels of trust, in comparison with the less successful relationships" (p. 753).

In order to address sub-questions (c) and (f) in Chapter One effectively, it is necessary to understand how choice of alliance partners has been treated in the literature. This section has underscored the importance of choice of alliance partners in strategic alliance formation and further identified five broad factors - compatibility, capability, commitment, control and trust as criteria for successful pre-selection of alliance partners. This thesis investigates these factors with a view to relate them to company executive characteristics (sub-question c), and alliance performance evaluation (sub-question f).

3.7 Strategic alliance scope

Klint and Sjöberg (2003) underscores the importance of the subject of strategic alliance structure and scope maintaining that while performance of joint actions, e.g. general success in cooperation, profits achieved by individual companies, and the appreciation perceived by individual companies, are functions of conduct (e.g. integration, exchange of knowledge, adaptation), these factors are in turn governed by structural phenomena. Therefore, determining the structure and scope of a strategic alliance is very important and it requires detailed consideration of issues across a broad spectrum (Evans, 2001).

Alliance scope is complex. Colombo (2003) measures it in terms of the number of partners, number of geographic areas, and operation activities (e.g. single value chain or full complement of value chain activities). Faulkner (1995) supports such a measure. Research has established that the scope of a collaboration affects its initial governance structure (Reuer, Zollo & Singh, 2002). Pisano (1989) as cited by Reuer et al. (2002) notes that biotechnology alliances that entail multiple projects are more likely to be equity than non-equity alliances. A study of North American, European and Japanese information technology industry alliances by Colombo (2003) found positive and statistically significant relationships between the number of partners in an alliance and alliances that span over several activities. In line with Oxley (1997), Colombo (2003) classifies alliances into three categories – equity joint ventures, non-equity bilateral forms[19] and non-equity unilateral forms.[20] Positive and statistically significant relationships were found to exist between geographic scope and, equity joint ventures and non-equity unilateral forms.

Mockler et al. (1997), whose study is based on the airline industry, is mostly relevant to this study since the airline industry is part of a broader tourism industry. They maintain that once a desired type or overall strategic structure has been selected there are several options available regarding the detailed structure of the alliance. They group these decisions into five categories relating to marketing, product/service, equipment and logistics.

This thesis investigates alliance scope by considering the number of alliances an organisation is involved in and the number of geographic areas. The number of alliance partners was considered difficult to identify given the many types of alliances tourism businesses are involved in. In this manner, this section addresses sub-question (b) in Chapter One which relates to relationships between company and executive characteristics and alliance decisions.

[19] According to Colombo (2003, p. 1216) these are strategic alliance arrangements which involve joint performance of activities, sharing, and/or exchange of resources among partners. They manage their interdependencies by incorporating control mechanisms such as the creation of a managerial hierarchy, joint work teams, and transfer of technical and managerial personnel that simulate to some extent the characteristics of equity forms.

[20] Colombo (2003, P. 1216) maintains that these alliances generally rely on the division of labour and the specialisation of tasks among partners; each partner is in charge of a specific activity and transfers the output to the other parties. The extent of the interaction between partners is low and coordination mechanisms are almost absent.

3.8 Performance of alliances

Evaluation is an important aspect of management and collaborative strategies in particular (Harrigan, 1985; 1986). Harper (2001) observes that it is essential to evaluate alliance efforts because as an alliance progresses, it runs the risk of taking on a life of its own and evolving away from its original objectives. Studies on strategic alliances have reported unsatisfactory performance with few signs of improving especially in developed countries (Beamish & Delios, 1997), and very high failure rates (Gulati, 1998; Killing, 1982; Geringer & Herbert, 1991; Prevot & Meschi, 2006) due to management problems, conflicting cultures and different control systems. As a result many writers have sought to identify the recipe for alliance success e.g. (Ohmae, 1989a; Bleeke & Ernst, 1991; Kanter, 1991; 1994; Frankel, Whipple & Frayer, 1996). The main aim has been to identify antecedent conditions and emergent processes that can influence performance. This is varied and includes, but not limited to: revealing questions about alliance progress (Harper, 2001); alliance strength, autonomy and flexibility (Bleeke & Ernst, 1991); a list of Dos for successful collaboration (Ohmae, 1989a); flexibility in management of the alliance, building trust with partners, regular information exchange with partners, constructive management of conflict, continuity of boundary personnel responsible for the interface between the firm and the alliance, and managing partner expectations (Gulati, 1998).

Performance has been a central construct of study in research on alliances and in larger domains of study such as international business and strategic management (Beamish & Delios, 1997). Beamish and Delios (1997, p. 105) define performance as the survival, duration, instability or failure of an alliance; "…the degree of parental control; the effectiveness of technological transfer; the extent to which financial goals are realised; the degree of managerial satisfaction, and so forth." However, research on alliance performance has been difficult to conduct due to research obstacles which include complexity of alliance performance, given the multifaceted objectives of many alliances (Evans, 2001), and measuring alliance performance in a consistent and appropriate manner and the logistical challenges of collecting the rich data necessary to assess performance (Gulati, 1998; Kale, Dyer & Singh, 2002). Although Hamel et al. (1989) argue that alliance agreements should establish specific performance requirements, they concede that many of the skills that migrate between companies are not covered in the formal terms of collaboration. Gulati (1998) also argues that a further complication results from the dyadic nature of alliances. “Sometimes performance is asymmetric: one firm achieves its objectives while the other fails to do so” (Gulati, 1998, p. 307). This argument is supported by Hamel et al. (1989), Evans (2001), and Khanna, Gulati and Nohria (1998). For example, the research by Hamel et al. (1989) shows that Asian companies often learn more from their Western partners than vice-versa because they contribute difficult-to-unravel strengths, while Western partners contribute easy–to-imitate technology.

A précis of past research on international joint ventures (IJV) by Geringer and Hebert (1991) shows significant differences in the operationalisation of IJV performance. They cite a number of studies, which used a variety of financial indicators such as profitability, growth and cost position; objective measures of performance such as the survival of IJV, its duration, instability of its ownership and renegotiation of the IJV contract. Luo, (2002) used archival data to measure IJV performance, including sales level and return on investment. Jennings, Artz, Gillin and Christodouloy (2000) also used governance costs, revenue growth, profitability and market value as measures for alliance performance. However, they argue that these financial and objective measures embody potential limitations that are critical to evaluation of IJV performance. Some of the problems they cite as associated with these measures include unavailability of data and the fact that IJV parents generate financial returns through other mechanisms than dividends “…including supply contracts, management fees, technology licensing fees, royalties and transfers” (Geringer and Hebert, 1990, p. 251).

The above cited measurement obstacles have not stopped researchers from inquiring rigorously on factors associated with the success of alliances. What it means is that the subject has been approached cautiously with varying methodological debates and fundamental differences. For example, Anand and Khanna (2000) used daily data on the stock market returns of each publicly listed firm to estimate the incremental amount of value creation for each firm in the alliance. They found strong evidence that firms learn to create more value as they accumulate experience in joint venturing but their research found no evidence that firms learn to create value as they accumulate experience in licensing. Gulati (1998) maintains that detailed surveys or careful fieldwork on alliances is required in order to uncover the multiple facets of alliance performance and considers the perspectives of all the partners in the alliance. Gulati is supported by Kale et al. (2002) who caution against the use of traditional accounting or financial measures like sales growth, return on assets, or profitability as measures for alliance performance. They further contend that these measures of alliance performance have attracted criticism for their limited ability to provide information about collaboration effectiveness.

There has been a growing trend in the literature towards multiple method research work that puts less emphasis on objective measures and toward perceptual managers' assessments of performance (Killing, 1982; Harrigan, 1985; 1986; Parkhe, 1993a; Inkpen, 1995; Beamish & Delios, 1997). According to Kale et al. (2002), managers assess performance in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. Such approaches enable the collection of a host of subjective and objective measures on which performance can be assessed, as well as an examination of dyadic asymmetries in perceptions (Gulati, 1998).

Other researchers who have opted to use managerial assessments measuring both the perceived performance of and satisfaction with alliances have differed with Kale et al. (2002) view regarding financial indicators. They argue that their choice of managerial assessments over financial indicators does not imply that financial indicators are inadequate measures of alliance performance but rather access to financial data is often very difficult to obtain due to their commercial sensitivity (Taylor, 2005). In Kauser and Shaw's (2004) case, the researchers were informed from the initial contact they made with the participating companies that financial information would be almost impossible to obtain.

While managerial assessment of alliance performance has received some criticism for reasons of bias or inaccuracy of measures (Beamish & Delios, 1997; Kale et al., 2002), studies by Dess and Robinson (1984), and Geringer and Hebert (1991) demonstrate the existence of correlation between objective and subjective measures. Dess and Robinson (1984) used both subjective and 'self-reported' objective measures of return on assets and growth in sales to measure the economic performance of manufacturing organisations. They found significant positive correlation between objective and subjective measures of both return on assets and sales growth. Geringer and Hebert's (1991) study of IJV in the U.S.A. and Canada demonstrate the existence of a high correlation between subjective assessments of overall satisfaction with the IJV's performance (use of 5-point Likert-type scales on the level of satisfaction, e.g. 'In general, how satisfied has your firm been with the joint venture's over all performance' and objective measures (survival, stability and duration).

A number of scholars have used managerial assessment, which many believe, if properly done can be a reasonable way to assess alliance performance (Geringer & Herbert, 1991; Anderson & Narus, 1990; Parkhe, 1993b; Inkpen, 1995; Kale et al., 2002). These assessments have concentrated on harmony between alliance partners, meeting alliance objectives, enhancement of parent firm's competitiveness, level of critical skills or capabilities requirement from alliance partner (Kale et al., 2002); parent level of satisfaction with joint venture performance, rating of joint venture performance versus initial projections at the time of venture formation, survival, stability and duration of the venture (Geringer & Herbert, 1991); value creation, learning, protection of competencies, and retention of flexibility by alliance participants (Mockler, 1999); fulfilment of strategic needs and indirect performance indicators (Parkhe, 1993b); and perceived performance of and satisfaction with the alliance (Medina-Munoz & Garcia-Falcon, 2000; Kauser & Shaw, 2004; Taylor, 2005; Chen & Tseng, 2005).

In tourism, alliance performance has been researched using managerial assessments. Two examples are those by Medina-Munoz and Garcia-Falcon (2000) and, Chen and Tseng (2005). Medina-Munoz and Garcia-Falcon (2000) investigated determinants of successful inter-organisational relationships between hotels and travel agencies. In their study, successful relationship was measured by 'overall success' and 'satisfaction with marketing support'. They used hotel company managers to assess the success of these relationships. Chen and Tseng (2005) assess the performance of marketing alliances between the tourism industry and credit card issuing banks, and further identify the underlying factors that would affect the performance of the alliance. In their study alliance performance was measured by total satisfaction, goal achievement, willingness of continuation, and profit satisfaction. They used tourism company managers to assess alliance performance. Similar to this thesis, they relate alliance performance to both choice of alliance partners ('partners having excellent resources' and 'potential for a mutually beneficial relationship'), and company characteristics (industry type, age of company, capital, number of employees, ownership, number of allied banks, and alliance experience with banks).

This is the perspective that has been missing in alliance literature. Therefore, this section of the literature review addresses research objectives (c) and (b), and sub-questions (e) and (f) in Chapter One which relate to relationships between company and executive characteristics and alliance performance.

3.9 Strategic alliances in tourism

Tourism is one of the highly integrated industries in the world. Dale (2000) illustrates this within the context of the UK tour operating industry where the major tour operators have followed strategies of consolidation, by integrating (both vertically and horizontally) their operations. Most of this integration has been mainly through mergers and acquisitions (Bullock, 1998; Dale, 2000). For example, Thomson acquired Horizon Holidays; Airtours purchased ASPRO Travel in 1993, also acquired Late Escapes in 1994; First Choice, acquired Eclipse, Olympic Holidays; and Thomas Cook, acquired Sunworld and a 14 per cent shareholding of First Choice (Bullock, 1998). Poon (1993) uses Porter's (1987) model of the value chain to argue that major players in the tourism industry, particularly airlines, hotels, travel argents and tour operators have increasingly integrated in an industry whose boundaries are becoming increasingly blurred. She argues that "…it is no longer relevant whether a company is an airline, a travel agent, hotel or tour operator. As the boundaries among players are re-defined, what becomes more relevant are the activities along the value chain that they control" (Poon, 1993, p. 215).

One defining characteristic of these relationships is the proliferation of strategic alliances within the tourism industry and between the industry and other sectors of the economy. Go and Hedges (1994) predicted the formation of more strategic alliances among a variety of partners as a way of meeting the needs of the traveller. Six years later, Peattie and Moutinho (2000) emphasised the need for various segments of the travel industry to stay linked via reservation systems, in order to provide the quality of service demanded by the increasingly sophisticated and demanding traveller. This is further buttressed by Go and Moutinho (2000) who argue that in this fiercely saturated and competitive operating environment, hospitality organisations are having to join forces to ensure that they harness the necessary resources, both financial and non-financial in order to penetrate the marketplace. The argument is that strategic alliances can be used effectively in order to achieve growth and competitiveness which, in this industry take a variety of forms, and occur across vertical, horizontal, and diagonal [a process whereby firms become involved in tightly related activities to reduce costs and to get closer to the customers] relationships (Poon, 1993; Bullock, 1998; Go & Appelman, 2001; Dale, 2003) This is so because tourism is a "highly complex compounded service brought about through the 'assembly' of different services that are being delivered by a network of companies that is often global in scope" (Go & Appelman, 2001, p. 184). Poon (1993) and Parttie and Mounho (2000) argue that these strategic alliances are maintained by information technology.

> Communication technology will encourage the formation of strategic alliances among segments of the travel industry. It will be increasingly important for airlines, hotels, surface transport providers, restaurants and communication firms to stay linked via reservation systems, in order to provide the quality of service demanded by the increasingly sophisticated and demanding traveller. As the technology continues to improve to facilitate these alliances it can be expected that those firms which have invested in the development of this technology will emerge as the players in the most successful alliances and thus are likely to become the most profitable. This type of investment has not been characteristic of the hospitality industry (Peattie & Moutinho, 2000, p. 28).

Tourism companies are embedded in strategic alliances that create a web of networks. One important framework that seeks to explain this phenomenon is that designed by Tremblay

(1998). Based on economic network organisation, Tremblay's conceptual framework gives a broad understanding of the types of strategic alliances and inter-organisational relationships common to tourism businesses. Tremblay identifies and divides future tourism strategic alliance networks into three groups, namely horizontal, vertical and local destination networks. Expanding on Richardson's capabilities concept, Tremblay argues that firms can appropriate economic rents by undertaking the coordination of function-specific capabilities, market-specific know-how, or destination-specific competences and resources by participating in a number of overlapping strategic alliance networks. However, firms have to take into consideration the resource cost of alternative investments in maintaining such collaborative relationships. The following is an assessment of strategic alliances in tourism which are in line with Tremblay's framework of alliances.

Horizontal strategic alliances (Type H)

The first type of network found in tourism, according to Tremblay, extends horizontally across firms holding similar technological capabilities but serving various markets and operating in different destinations. These alliance networks invest in competences of the traditional industry- or function-specific type and involve many or multiple organisations. Tremblay argues that such strategic alliances appropriate the economic rents generated by scale-scope economies associated with information technology without requiring ownership integration (Figure 3.4, Type H). These types of alliances are mostly prevalent in the airline and accommodation sectors. Figure 3.4 depict multiple strategic alliance networks from at various locations. It shows that businesses in the tourism industry are involved in many strategic alliance types viewed within Tremblay's network analysis. The first type, (Figure 3.4, Type H) indicates horizontal strategic alliances between organisations in the same industry, i.e. hotels, air lines, tour operators, travel agents attractions and destinations operating in different locations.

Morrison (1994) studied strategic alliance partners for the small hotel firms in the UK. These strategic alliance partners were selected from four identified categories, namely public sector referral (Gulliver); airline (Galileo); reservation service (Utell); and marketing consortia (Best Western). Morrison and Harrison's (1998) study of the Consort Hotel Group evaluates the effectiveness of small hotel firm's membership of a marketing consortium as a strategy for addressing the needs of selectivity, interconnectivity and visibility emphasising on how such a hotel can use strategic alliance in order to achieve effective representation within electronic distribution systems. They further evaluated how such a hotel can access essential marketing skills, providing it with the potential to transform itself from a 'corner shop' operating mainly in a domestic market, to participation in an 'electronic shopping mall' with global reach. Morrison and Harrison (1998) conclude that membership to such a horizontal alliance is a 'survival plan' that enables the continuation of independent small firm ownership.

One notable feature of this alliance is its ability to promote the facilities of its member hotels nationally and internationally by forming strategic alliances with other consortia representing European hotels, such as Neotel, in order to network a pan-European alliance. Its system is now linked into the four major GDS networks, Galileo, Sabre, Amadeus and Worldspan, offering its members to about 450 000 potential travel agency screens world-wide (Morrison & Harrison, 1998).

Contractor and Kundu's (1998b, p. 326) study of more than 1131 hotels in more than one hundred nations, sort to answer the question: "For a particular foreign operation (a particular hotel in a foreign location), should a firm choose full ownership of the operation, an equity joint venture or contract-specified modes, such as franchising, or management service agreements?". They argue that the choice is determined by both country characteristics or transaction-cost considerations, firm characteristics and its global strategy. Their study reveals that modern international companies have full operations and equity joint ventures, as well as non-equity alliances, which in the service sector include franchising and management service agreements. They show that for the world as a whole, 37 per cent of foreign properties were under management service contract, 34.6 per cent of foreign properties were fully or partially owned, while the remaining 28.4 per cent were franchised

(Contractor & Kundu, 1998a). In other words, they identify three forms of horizontal strategic alliances in international hotel operations, mainly:

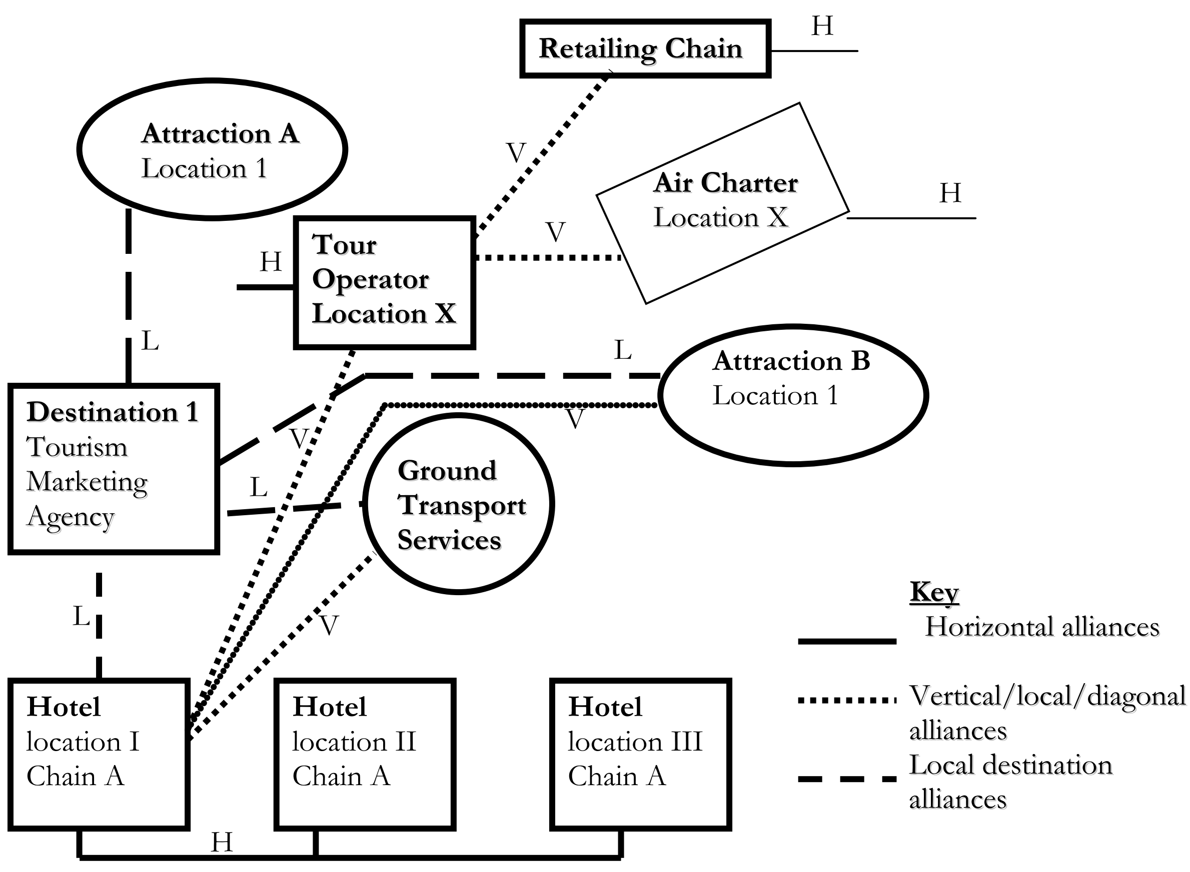
- joint venture;
- management service agreement - a long term agreement or contract of up to ten years or more, whereby the legal owners of the property and real estate enter into a contract with the hotel chain to run and operate the hotel on a day to day basis, usually under the hotel chain's internationally recognised name; and
- franchising.

Much research has also been undertaken on horizontal strategic alliances in the airline industry (Go & Hedges, 1994; Glisson et al., 1996; Bennett, 1997; Evans, 2001; Park & Zhang, 2000; Chan, 2000; Mak & Go, 1995; Bissessur & Alamdari, 1998; Yang & Liu, 2003; Long, Clark, Schiffman & McMellon, 2003). These studies show that these horizontal alliances have been formed in order to combine resources and offer more global coverage, and offer business flyers the opportunity to stay with one frequent flyer programme while still using many different airlines (Long et al., 2003). Bennett (1997) argues that within the airline industry, strategic alliances incorporate shared airport facilities (check-in, lounges), improved connections (synchronised schedules), reciprocity on frequent flyer programmes, freight coordination and marketing agreements (code-sharing and block selling). Glisson et al. (1996) see these strategic alliances as part of broader international marketing strategies airlines adopt and further categorises them into three, namely, marketing alliances, equity alliances, frequent flyer alliances. Star Alliance, Oneworld, SkyTeam and Northwest KLM (Wings group) are the major airline alliances which enjoy the participation of the main airlines in the world.

Australian major airlines, Qantas and the now defunct Ansett have been major players in strategic alliance formations. By 1995 Qantas has already entered into strategic alliances with USAir, Japan Airlines and British Airways (BA). In 1998 American Airlines, BA, Cathay Pacific, Canadian Airlines and Qantas formed Oneworld, an alliance that connects routes and ties frequent flier programs (Ann, 1999). They were later joined by Iberia, Finn Air and the Swiss International Air Lines (Oneworld, 2003). While the airlines would continue competing against each other except where they have regulatory approval not to, they would also cooperate to give passengers a global travel service between airports (Sandilands, 1998a; 1998b). As the then chief executive of American Airways, Don Carty maintained, Oneworld was revenue driven rather than cost driven:

> Our aim is to capture more business rather than cut costs by rolling our operations into each other, or blending out individual ways of serving passengers . . . Our vital concern was that Oneworld deliver benefits to our shareholders as well as to our passengers, and we have established that it will. We can do things with these arrangements that give us vastly improved scope and customer servicing, and when you deliver a better product you make better money" (Sandilands, 1998b, p. 37).

Figure 3.4: Multiple strategic alliance networks



Source: Adapted from Tremblay (1998)

Ansett's counter Qantas strategy meant it becoming a member of Star Alliance, Oneworld's main competing brand in global airline alliances, which included United, Air Canada, Lufthansa, Varig, Thai International and Scandinavian Air Systems. The former Ansett Executive Chairman, Ron Eddington argued that Ansett had to participate in globalization or decline; hence it became a 'virtual' player in the world airline game. However, Sandilands (1999) shows that Oneworld remained the dominant player in the Australian industry, commanding 49.6 per cent of Australia's inbound and outbound air travel markets vis-à-vis 28.6 per cent for Star Alliance in 1998.

Vertical lateral or diagonal quasi-integration strategic alliances networks (Type V)

The second group of strategic alliance network Tremblay suggest (Figure 3.4, Type V) is one composed of firms sharing marketing know-how associated with specific customer groups in order to generate economic rents by connecting dissimilar competences into a consistent product, through space and synchronisation of activities. They also control service quality and sometimes even standardise the "service atmosphere". These alliances often involve more or less integrated tourism business groups connecting complementary activities such as air transport services, tour operating retailing, and the management of hotel groups. Location X stands for the fact that the tour operator and even the travel agency need not be in the same destination or country with, for instance a particular hotel chain. Tremblay refers to these strategic alliances as vertical, lateral or diagonal quasi-integration. Figure 3.4, Type V shows relatively integrated tourism business groups connecting complementary activities such as air transport services, hotel in a particular location, tour operator and retailing. Its difference with Figure 3.4, Type H is that it includes businesses from different sectors within the tourism industry. According to Tremblay (1998, p. 852) the purpose is "…to ensure cross-functional coordination among differentiated businesses such as retailing, wholesaling and main services functions for a given market." Poon (1993) perceives the expansion of ICT as the means by which differentiated businesses in the tourism industry can flexibly connect and adjust to consumer needs.

A number of scholars have shared this idea. For example, Brown and Pattison's (1995) study shows how the Radisson Hotel group alliance is linked together by different types of communication media, particularly telephone, facsimile, email, Pierre reservation system and interactive linkage. Electronic tourism intermediaries (eMediaries) have also been seen not only as intensifying competition (Buhalis, 2001), but also as supporting instruments that would add distinct aspects of value for the end customer by exchanging digital knowledge between alliance network members (Dale, 2003).

Studies by Brown and Pattison, (1995), Morrison and Harrison, (1998), Vasudavan and standing, (1999), and Deng and Lawson, (2000) suggest a very strong association between various tourism sectors liked together by reservation systems of airlines, hotels, rental car firms, coach companies and entertainment services (Brown & Pattinson, 1995).

The local destination network (Type L)

The third group, which in Tremblay's view ensures the coordination of complementary assets from the destination end of the service chain, is the local destination network (Figure 3.4, Type L). This figure also shows that tourism organisations may form strategic alliances coordinated through a destination tourism marketing agency, but may also have direct one-to-one relationships. Since tourism firms in a given destination share public infrastructures and attractions, there is need to cooperatively manage these resources and innovate while minimising negative externalities. Making reference to Palmer and Bejou (1995), Tremblay argues that destination marketing alliances involve firms cooperating to determine the size of the local tourism pie and simultaneously competing to increase their shares. Braun (2003) argues that tourism business can participate in one or various overlapping networks, depending on the potential measurable advantages such as lowering transaction costs and exploiting economies of scale.

Studies analysing tourism destination networks are grounded on network theory and are mostly case-study based, concentrating on regional networks (Pavlovich, 2003) or comparisons of various regional networks (Halme & Fadeeva, 1998; Halme, 2001). Pavlovich's (2003) exploratory case study examines the formation and evolution of a tourism destination, the Waitomo Caves in New Zealand. The study takes a structured approach from network theory perspective and examines how the architectural patterns of linkages between organisations inform strategic leverage for destination contexts. Using a mixture of interviews, archival data and personal observations to gather information from twelve firms located within the destination over a five – year period (1996-2000), Pavlovich shows how complementary products of activities, accommodation, transport and food co-exist alongside support activities and infrastructure to form a complex system of connections and interrelationships. "This more complex network structure with multiple nodes enables a structural choice that limits the extent of constraint an individual organisation may proffer within the network. This gives the network flexibility in its operating conditions" (Pavlovich, 2003, p. 213). Pavlovich's study found that not only did the Waitomo destination structure have multiple organisational nodal positions with each node offering the network access to independent external 'weak ties', but also that a combination of 'strong' and 'weak ties' builds the foundation of knowledge-based capabilities for the destination.

Hamel and Fadeeva (1998) use the grounded theory approach developed by Glaser and Strauses (1967) to examine how multi-party networks can strive towards sustainable development. They focus on SMEs' role in eight tourism destination networks located in Finland, Ireland, Spain and Sweden. The study also identifies and explores value added by the networks for people, SMEs and society, and barriers to sustainable development in the network and success factors of these networks. All networks investigated cross the private-public sector borders involving business authorities and occasionally, citizen groups. Their findings reveal a number of barriers and success factors of multi-party sustainability networks. Barriers include, conflicting goals, and short-term thinking of participants or false expectations (Halme & Fadeeva, 1998). Key success factors their study identifies include willingness of the members to invest in the network, the extensive expertise in the network and good contacts with important stakeholders outside the network. They also found that sustainable development goals are interwoven with other personal, firm, regional or societal benefits provided by the network activity, and that such benefits have an important motivational role in the process in which sustainable development is implemented at a practical level.

Using the same data used in Halme and Fadeeva (1998), Halme (2001) investigates learning toward sustainable development in multi-stakeholder public-private networks. His findings show that the process of cooperation appears more important vis-à-vis achievements regarding sustainable tourism than the structure of networks, and that this process determines the network's ability to become adept at explicating tacit knowledge among its actors, and to develop the network so it can facilitate the creation of sustainability outcomes. Halme also found that in instances where a leading public actor may assume a teacher's role in the network, the network runs the risk of becoming merely an information dissemination tool. This involves a trap of one-way communication and under-used knowledge utilisation opportunities. Receptivity of the teacher actor is low and the partners do not really collaborate. Halme then argues that the teacher actor should make a special effort to create feedback loops leading to two-way communication, so that a learning strategy of collaboration can take place.

The relevance of the Halme and Fadeeva (1998); Halme (2001) and Pavlovich (2003) studies lie in the multiplicity of actors embedded in tourism networks. The fact that membership of such networks crosses the private-public sector borders, and that networks are broader than strategic alliances means that research on strategic alliances in tourism should be approached cautiously. While destinations are obviously networked, not all network nodes are strategic alliances. Strategic alliance researchers have failed to consider and analyse such alliance networks. Of course, the reason may be that to understand and develop a destination it is imperative that all networks within a region should be studied, but this should not relegate the study of strategic alliances. The other issue has been regionalisation of tourism networks, as exemplified by the above cited authors. This approach is important but does not distinguish the various types of networks, some of which could be strategic alliances.

3.10 Strategic alliances between tour operators and travel agents

The link between tour operators and tourism suppliers has been established (March, 2000; Buhalis, 2000b; Medina-Muñoz et al., 2003). March (2000) explores how inbound operators, acting as buyers on behalf of overseas clients, make purchase decision for suppliers (hotels, restaurants and coach companies) while Buhalis (2000) explores the distribution of tourism and illustrates the power of imbalances that exist between members. In particular, Buhalis illustrates the problems that small hoteliers in the Greek islands face with powerful tour operators and further illustrates a wide range of methods used in order to increase their bargaining power. Medina-Muñoz et al. (2003) describes the control that German and British tour operators exercise over the accommodation companies with whom they do business and the characteristics of the two types of companies that influence that control. Similar relationships have also been found between tourism suppliers and travel agencies (Medina-Muñoz, García-Falcón & Medina-Muñoz, 2002). The study by Medina-Muñoz et al. (2002) centres on the relationship between travel agents and hotel corporations operating in the USA. They developed four factors – extent to which the relationship is formalised, commitment to the relationship, conflict resolution, and inter-organisational dependence, trust and communication as factors that could establish satisfactory business relationships between travel agencies and hotels. Conducting their study from the hoteliers' perspective, they concluded that:

> …travel agents should be trustworthy, show a cooperative attitude, and be committed to the relationship with the hotel company. Similarly, hotel companies that travel agents see as trustworthy, cooperative, and committed to their relationships with those agents can expect to receive more offers from travel agents to establish long-term business relationships (Medina-Muñoz et al., 2002, p. 52).

Tremblay's framework shows possibilities of horizontal strategic alliances existing in the tour operators and travel agencies sectors, and further show possibilities of vertical or diagonal strategic alliances existing between the two sectors of tour operators and travel agencies. Little research has looked at these relationships. King and Choi (1999) and Pan

(2004) studied relationships that exist between inbound tour operators in Australia and the Korean travel agency sector, and Chinese travel agents. King and Choi (1999) studied the Korean outbound travel market to Australia and found that Korean-based travel agents rely on Australian-based inbound tour operators to handle their clients during the stay overseas. They also fond that Korean travel agents select inbound tour operator partners according to three criteria: the designated handling fee, technical competence, and reputation to carry out promises, while at the same time informal relationships were deemed important in selection partners.

Pan's (2004) exploratory study draws on applied marketing, management and cross-cultural theories on networking to explore the process of developing partnership relationships in the Chinese inbound tourism market to Australia. The study found that the process of developing partnerships relationships between Chinese travel agents and Australian inbound tour operators is highly culturally embedded. Although these studies are not exclusively on strategic alliances, they are fundamentally relevant to this thesis. The relevance of King and Choi (1999) is in their arguments in respect to partner selection and appraisal of partners performance while that of Pan is on the role of culture in developing business relationships. The gap identifiable in these studies concerns the absence of cognitive base – how it is influenced by culture in (Pan's case) or how it influences partner selection and evaluation of partner performance (in King and Choi's case). Such an approach would have further enriched these studies.

3.11 Chapter conclusions

This chapter has considered at length types of strategic alliances and perceived joint ventures; licensing; franchises; marketing and distribution agreements; production and manufacturing alliances; research and development contracts; technology development coalitions as examples of alliances. The brief discussion on strategic alliances in the tourism industry has identified three broad types of strategic alliances – horizontal, vertical and network types. Most of the past research on strategic alliances in tourism has concentrated on airlines. These alliances have also been defined as marketing alliances - because of their emphasis on code-sharing, sharing airport facilities, synchronised programmes, fright coordination, joint marketing and maintaining a close relationship with customers. Horizontal alliances which could be classified as marketing alliances have also been noted in the hotel sector, taking the form of consortiums. Studies of strategic alliances in the hotel sector have put much emphasis on consortiums, and hotel chains, leaving out a number of independent accommodation establishments.

Almost all studies evaluated in the literature on strategic alliances in tourism are from a marketing perspective. There is need for more studies from management perspectives that would emphasise strategic management, organisational behaviour and other management related fields. It is therefore not surprising to note that there is no research identified, that considers the role of executive characteristics in strategic alliances in the tourism industry. After all, only a few such studies have been identified in the strategic alliance literature in general.

No research has thus far been identified that focuses on strategic alliances between and among the sectors of tour operators and travel agencies. Another limitation of most strategic alliance research is that very few of them consider the role of company characteristics and cognition of decision makers in forming, managing and evaluating strategic alliances. The following chapter develops this argument further by developing a framework of the influence of company and executive characteristics on strategic alliance forma. This framework brings into perspective the objectives of and research questions of this thesis.

Chapter Four

Upper echelon perspective and company characteristics perspective on strategic alliances

4.0 Introduction

This research extends the debate on management thinking by arguing that strategic alliance practices are reflections of both company and executive characteristics. The assumptions behind this view are firstly that, strategic alliance is a significant strategic decision. Secondly, that strategic alliances form a unique part of organisational strategy and are normally used either as a form of an international expansion strategy or as a business-level cooperative strategy (Hitt et al., 1996). Thirdly, following from the first assumption, that strategic decisions are nonprogrammable decisions that involve the commitment of substantial resources at the level of the total enterprise (Wally & Baum, 1994). Fourthly, that individual differences among strategic decision makers (Wally & Baum, 1994) as reflected by their individual characteristics (Pansiri, 2005a) and aspects of organisational structure (company characteristics) affect strategic decision-making. This requires analysis of both internal and environmental factors, choice of strategic alliance option and strategic alliance type, choice of strategic alliance partners and alliance scope, and strategic alliance evaluation. Fifthly, strategic alliances are human constructs, designed out of decisions reached by managers about how the organisation desires to deal with its environment. Lastly, that as human constructs, these strategic alliance decisions are reflections of different company and executive characteristics.

The main aim of this thesis is to find out the role of company and executive characteristics in strategic alliance type selection, choice of alliance partners, and alliance performance outcomes in the travel sector. In doing so, it seeks to address the research question as spelt out in Chapter One: “What are the effects of company and executive characteristics, on strategic alliance formation - strategic alliance selection, choice of alliance partners and alliance performance evaluation in the Australian travel sector?”

In making this inquiry, both organisational structures (company characteristics) and the upper echelon (UE) standpoints are used as essential perspectives that can help researchers make linkages between managers’ cognitive orientations and strategic alliance practice. The following is a discussion that links these two perspectives to strategic alliance practice.

4.1 Research framework

A number of researchers have referred to aspects of contextual influence on strategic decision-making processes (Wally & Baum, 1994; Papadakis, Spyros & David, 1998). Wally and Baum (1994) provide a model of the determinants of strategic decision-making that incorporate the role of individual differences among executive decision makers, organisational structural characteristics and industry effects. In testing the model, they found that “…chief executive officers' cognitive ability, use of intuition, tolerance for risk, and propensity to act associated positively with speedy decisions (Wally & Baum, 1994, p. 932). They observe that their results also suggest that their model, which is comprehensive by including organizational as well as cognitive aspects, is robust.

Papadakis et al. (1998) provide a framework that integrates an ‘individual decision perspective’, strategic or management choice’ and ‘environmental determinism’, and ‘firm characteristics and resource availability perspective’. When testing the framework, they found that strategic decision processes are shaped by a multiplicity of these factors. These studies by Wally and Baum (1994) and Papadakis et al. (1998) attest to the fact that company as well as executive characteristics can be used to give a richer understanding of alliance formation and evaluation. The following sections discuss the theoretical underpinnings of each perspective individually, and then go on to links them to strategic alliance formation.

4.1.1 Executive characteristics (Upper Echelon perspective)

Research on strategic alliances mostly use managerial assessments of internal and external drivers (motives) and alliance performance, and relies on managerial decisions on strategic alliance types and choice of partners. Researchers treat these assessments as objectively given and neglect the fact that strategic alliances are social constructs, which reflect the cognitive bases of those who construct them. Researchers from the upper echelon (UE) perspective linking executive characteristics and strategic options, and firms' performance have also overlooked strategic alliances as strategic options. Their research has centred on the traditional strategic options such as product innovation, diversification, integration, financial leverage and administrative complexity.

Decision making is one of the most fundamental processes in organisations and an essential task of management at all levels (Heracleous, 1994). Scholars have observed that strategic problems are almost by definition extremely complex. This suggests that complex decisions are largely the outcome of behavioural factors rather than a mechanical quest for economic optimisation (Hambrick & Mason, 1984). Therefore the 'rational' decision-making model[21] that has dominated strategic management literature for decades has been dismissed as an inadequate guide to effective decision-making which does not necessarily bear an

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[21] The traditional/mainstream 'rational' decision making assumptions as summarised by Heracleous (1994, p. 1) are that: decision makers have a *clear* and *unambiguous* understanding of the nature of the problem and of their objectives in relation to this problem; a *comprehensive* search for alternative courses of action and their consequences with respect to this problem is feasible and is carried out; each alternative is objectively evaluated with respect to its chances of achieving the desired objectives, and the alternative most likely to achieve these objectives is selected and then implemented; monitoring of consequences is continually and objectively carried out to determine success of chosen course of action with respect to objectives. The rational decision-making model makes no reference to the filtering and constraining influences of the organizational paradigm on the decision process as a whole. The model also ignores the significant effects of political behaviour on this process.

appropriate reflection of how decisions are really made in organisations (Brunsson, 1982; Heracleous, 1994). Heracleous criticises the model for being too simplistic and only applicable to relatively simple problems, where objectives are clear, unambiguous and agreed, and cause-effect relations are clearly known. Heracleous (1994, p. 21) argues that in the real world of multiple decision makers, "…complex problems, fast moving markets, unpredictability and uncertainty, however, 'objective' rationality becomes inapplicable and decision making is influenced by what may be called 'conditioned rationality'"

Ever since Simon's (1957a; 1957b) and March and Simon's (1958) idea of bounded rationality, researchers in management have recognised that cognitive limitations affect decision making in organisations. Simon (1957a, p. 241) maintains that:

> …when the limits to rationality are viewed from the individual's stand point, they fall into three categories: he is limited by his unconscious skills, habits, and reflexes; he is limited by his values and conceptions of purpose, which may differ from the organisation goals. He is limited by the extent of his knowledge and information. The individual can be rational in terms of the organisation's goals only to the extent that he is able to pursue a particular course of action, he has a correct conception of the goal of action, and he is correctly informed about the conditions surrounding his action. Within the boundaries laid down by these factors his choices are rational-goal-oriented

The cognitive approach maintains that conscious mental activities, such as thinking, knowing, and understanding, and mental concepts, such as attitudes, beliefs, and expectations, are major determinants of human behaviour (Reitz, 1977) which "…influences how people scan their environment for information, how they organise and interpret this information, and how they integrate their interpretations into the mental model and subjective theories that guide their actions" (Hayes & Allinson, 1998, p. 850).

While there is a plethora of studies concerning strategic alliances, very few of these studies have considered the role of cognition of decision makers in forming, managing and evaluating strategic alliances. This narrowness of research on managerial thinking has occurred within the context of unprecedented burgeoning research and theory with cognitive science as a whole. Porac and Thomas (1989a, p. 323) argue that for decades, "…work by linguists, psychologists, anthropologists, philosophers, computer scientists, and neurophysiologists has stimulated enormous efforts to understand how the human mind accepts, transforms, represents, and uses information". Writers in the competitive strategy field have been criticised for either implicitly or explicitly assuming that firms behave like rational actors (Johnson & Hoopes, 2003). From this perspective, largely dominated by economics oriented strategy scholars, managers are perceived as 'rational utility-maximisers' (Stubbart, 1989; Johnson & Hoopes, 2003) who "… all possess the same knowledge, all reason the same logical way, all notice the same threats and opportunities, and all pursue the same goals" (Stubbart, 1989, p. 326). While this view offers advantages in understanding organisations, it has been criticised for ignoring the limits of humans as mechanisms for computation and choice (Simon, 1957b). Simon (1957b) and March and Simon (1958) advance the idea of bounded rationality, arguing that managers' cognitive abilities are sequential and limited in their capacity. For example, March and Simon (1958) argue that in most situations, the flow of information exceeds the processing capability of managers; or, the volume of information available at any one time exceeds the capabilities of any one person. It has been argued that under such conditions, individuals use heuristics or 'rules of thumb' to simplify complex problems with a view of scanning and organising their environment and reach decisions regarding strategic action (Schwenk, 1988; Stubbart, 1989; Porac & Thomas, 1990; Johnson & Hoopes, 2003).

Recently, management theorists and researchers have given attention to a wide range of managerial cognitive phenomena as a way of confronting the deficiencies of the literature on managerial thinking (Porac & Thomas, 1989a; Swan & Newell, 1994; Gallén, 1997). Most of these articles centre on the development of cognitive techniques and models which can be used to investigate cognitions in organisational settings (Porac, Thomas & Baden-Fuller, 1989b; Swan & Newell, 1994; Hodgkinson & Johnson, 1994; Yamin & Gulasekaran, 1999); the relationship between managers' cognitive style (base) and strategic decisions (Gallén, 1997); relationships between group cognitive make-up, co-operation context, and the development of interpersonal trust (Roy & Dugal, 1998); relationships between enrolment change and organisational determinants (Neumann & Finaly-Neumann, 1994); and examination of modern cognitive science (Stubbart, 1989). Wiersema and Bantel

(1992) argue that as top managers engage in the strategic decision-making process, each manager's perceptions and interpretations will reflect his or her own cognitive base. Wiersema and Bantel (1992), and Hambrick and Mason (1984) further argue that managers cognitive style influences the perceptual process underlying decision making. According to Wiersema and Bantel (1992, p. 94):

> First it limits the manager's field of vision, or the areas in the environment to which attention is directed. Second, selective perception occurs because the manager only pays attention to some of the stimuli in his or her field of vision. And third, the information that is processed is filtered through the lens of the cognitive base.

The general view of most of these authors is that because strategic management research studies the activities of managers, managerial cognition must be explored in order to understand their role and impact in respect to environmental scanning and analysis, competitive strategy, strategy-making process, strategy implementation and evaluation. Some authors have suggested that a decision maker's cognitive make-up (decision style) influences the selection among alternative courses of action (Henderson & Nutt, 1980) and that managers carry out decision making using distinctive processes (Nutt, 1990). Several frameworks which define decision style have been proposed (Henderson & Nutt, 1980), accompanied by a wide variety of instruments which have been developed to measure decision styles (Nutt, 1990). For example, Jung's (1923) personality theory which was further developed as the Myers-Briggs Type Indicator (MBTI), an instrument which has been designed to make Jung's theory both understandable and usable. However, there has been growing dissatisfaction with the use of some of these frameworks.

Studies dissatisfied with psychological dimensions have argued first, that the cognitive bases, values, and perceptions of upper level managers are not convenient to measure or even amenable to direct measurement. Second, that top executives are hesitant to participate in batteries of surveys at least in the numbers needed for an ongoing research program (Hambrick & Mason, 1984; Haley & Stumpf, 1989). Third, that some of the background characteristics of greatest a priori interest (e.g. tenure and functional background) do not have close psychological analogs, therefore restrictions to standard psychological dimensions could unnecessarily limit inquiries, and finally, that with the eventual application of the managerial characteristics perspective management selection/development would require observable background data on managers (Hambrick & Mason, 1984, p. 196).

These studies have focused on observable background characteristics, resting on the argument that they presented key proxies for managers' cognitive orientation and knowledge base with important implications for strategic decision making. They emphasise such characteristics as age, tenure in organisation, functional background, education, socioeconomic roots and financial position (Hambrick & Mason, 1984). Hambrick and Mason (1984) developed the UE model for understanding the influence of top managers on organisational strategy. This perspective is based on three central tenets:

1. Strategic choices made in firms are reflections of the values and cognitive bases of powerful actors (Carpenter, Geletkanycz & Sanders, 2004). These values and cognitive bases limit the managers' field of vision, or the areas in the environment to which attention is directed (Wiersema & Bantel, 1992).
2. Values and cognitive bases of such actors are a function of their observable characteristics such as education, experience and background (Carpenter et al., 2004). According to Wiersema and Bantel (1992), previous studies have used such characteristics as predictors of beliefs and values.
2. As a result, this perspective argues that significant organisational outcomes are associated with the observable characteristics of those actors (Carpenter et al., 2004).

It is therefore argued that "…these three central tenets frame the UE proposition that an organisation and its performance will be a reflection of its top managers" (Carpenter et al., 2004, p. 4). This model assumes that UE characteristics (psychological and observable) are determinants of strategic choices, and through these choices, or organisational performance. This approach argues that certain situational conditions (external and internal) and UE characteristics lead to strategic choices that cannot be predicted as strongly by knowing only one or the other. However, concern has been raised that particular characteristics seem unlikely to influence the diagnosis and development of strategic issues. Gallén (1997) suggests that instead of concentrating on observable characteristics, emphasis should also be placed on personality as a link between cognitive processes and strategic decisions. Hambrick and Mason (1984) raised doubts if research on managers' characteristics can progress far without greater attention to relevant literature in related fields, especially psychology and social psychology.

The UE perspective as shown in previous studies leaves out two important managerial characteristics which Gupta and Govindarajan (1984) see as central to organisational effectiveness and strategy implementation – willingness to take risk and tolerance of ambiguity. Organisations often take on strategic alliance risk because they want to reduce risk in other areas, and this risk is of various types. Stanek (2004, p. 191) summarises Das and Teng (1999) and argue that alliances involve both relational risk (the risk of opportunistic behaviour of one of the partners having negative impacts on the other) and performance risk (the probability that an alliance may fail even when partners commit themselves fully to the alliance). Relational elements include:

- protecting firm resources while gaining access to new partner resources;
- contractual control;
- managerial control;
- specificity of work share;
- extent of communication;
- alliance fit or tightness of fit; and
- cooperation and competition.

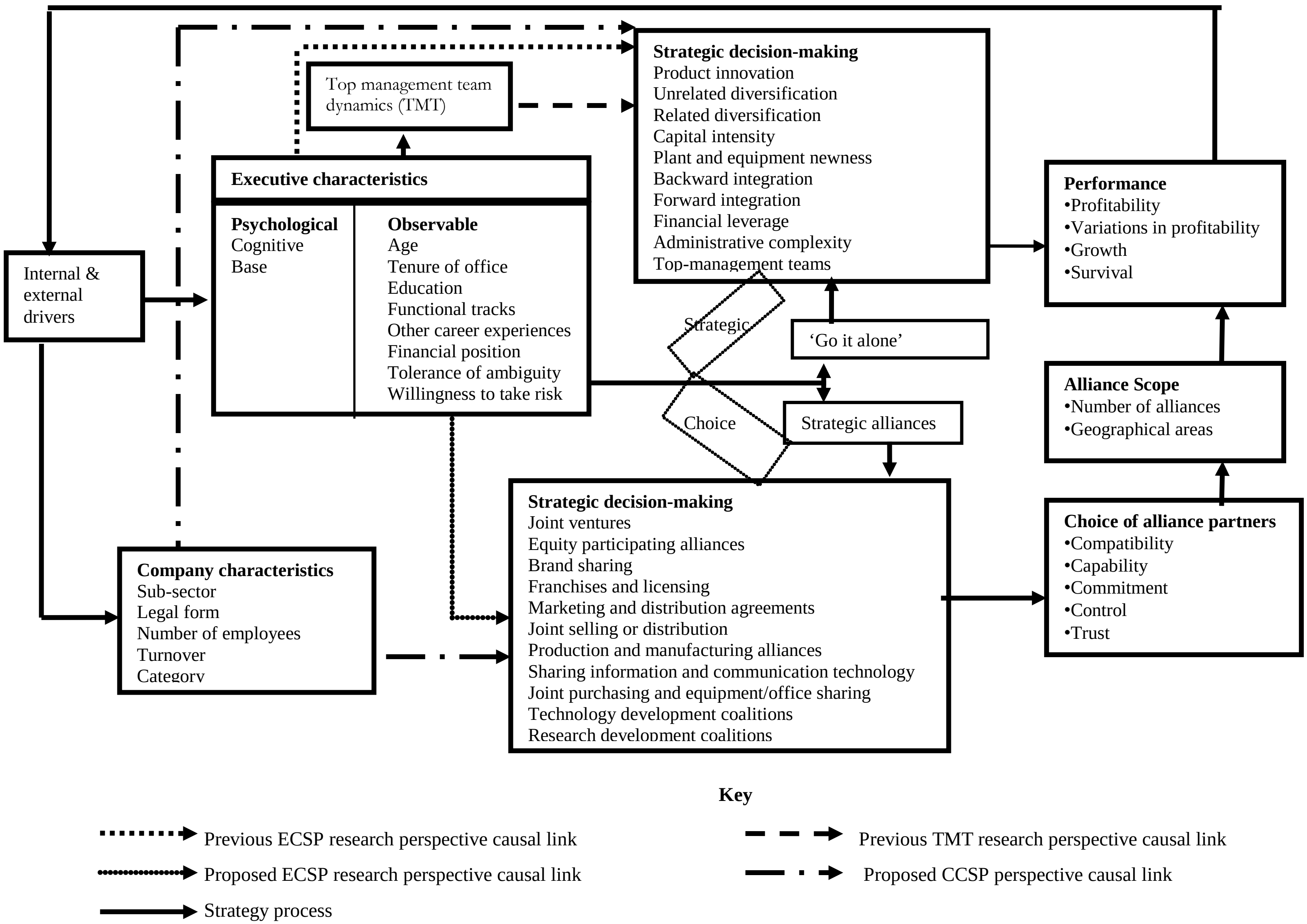
On the other hand, performance risk includes:

- association with parent strategic vision;
- degree to which agreements can be modified;
- likelihood of losing investments (often non-recoverable);
- exit provisions;
- controls;
- new learning applications;
- compatible objectives; and
- short- and long-term orientations.

Stanek (2004) further observes that strategic alliance risk may also include contextual (representing uncertainty in the market, including: political, ownership/control, price control, local content and transference problems) and transactional (risk associated with the arrangement, including not meeting established project objectives and returns) risk. Gupta and Govindarajan (1984) found that greater willingness to take risk and greater tolerance for ambiguity contribute to organisational effectiveness.

Figure 4.1 indicates that the UE model is applicable in diverse contexts. Two dominant perspectives in this model are identifiable from previous research. The first is the executive characteristics-strategy-performance (ECSP) perspective. There are a number of studies that link managerial characteristics and strategic decision choice (Miller, Kets de Vries & Toulouse, 1982; Hambrick & Mason, 1984; Szilagyi & Schweiger, 1984; Gallén, 1997). This perspective portrays UE characteristics as determinants of strategic choices, and through the strategic choices, of organisational performance. The second perspective links top management team (TMT) characteristics and firm profiles (Carpenter et al., 2004) with strategic choices (Michel & Hambrick, 1992), and firm performance (Smith, Smith, Olian, Sims, O'Bannon & Scully, 1994; Hambrick & Cho, 1996; Finkelstein & Hambrick, 1990). While an offshoot of the executive characteristics-strategy-performance perspective, it seeks to acknowledge the role of the TMT as a whole. In Figure 4.1, this perspective links as managerial characteristics-TMT-strategic choice-performance perspective.

Figure 4.1: Research framework incorporating UE and company characteristics perspectives of organisations



While it is noted that strategic alliances are risky since they are fertile breeding grounds for opportunistic behaviour (Das, 2004), no studies have drawn a link between managerial characteristics, risk and strategic alliances. The upper echelon perspective argues that top managers' characteristics are determinants of strategic choices. Bearing in mind that strategic choices are associated with uncertain outcomes, managerial decisions do not necessarily reflect managerial characteristics but rather managerial risk taking associated with these characteristics. Studies linking UE characteristics with risk taking are inconclusive and contradictory. Wally and Baum (1994) found that chief executive officers' cognitive ability, use of intuition, tolerance of risk, and propensity to act associated positively with speedy decisions. Emblemsvåg and Kjølstad (2002) maintain that risk is perceived differently in relation to gender, age, culture while Grable and Lytton (1999) found that above-average levels of financial risk tolerance were associated with increased levels of attained education, an increased knowledge of personal finance, higher levels of income, and being employed in a professional occupation. In their study Grable and Lytton (1999) found that gender, economic expectations, age, and marital status explained less variance in risk-tolerance scores.

Figure 4.1 further develops the arguments of this thesis to indicate that a strategic alliance is a strategic choice option. What distinguishes it from the other strategic choices is that it is pursued as a form of cooperative strategy where more than one firm is involved vis-à-vis the strategies under 'go it alone' option. The strategic alliance option needs careful consideration, independent of the other options explained above, because there are many alternatives within the broader strategic alliance umbrella as shown in Figure 4.1. This strategic alliance option has suffered neglect in the UE research. It can also be broadened by looking at TMT characteristics in relation to alliance option and performance. As it has been shown earlier in this study, strategic alliances now play a very prominent role in organisational competitive strategy.

Models designed to help us understand strategic alliances therefore lack this important aspect of organisational reality – the role of cognitive orientations in strategic alliances, and the model by Evans (2001) is just one of them. Only two studies, which link strategic alliance formation to executives' cognitive orientations have been identified. Both these studies use the UE perspective. Eisenhardt and Schoonhoven's (1996) study of why firms form strategic alliances in the semiconductor industry found that while market conditions and risky firm strategies increased the rate of alliance formation, top management characteristics also affected the rate of alliance formation. They conclude that firms with top management teams that were large, experienced, and well-connected through former employees and high-level previous jobs formed product development alliances at higher rates. Tyler and Steensma's (1998) study examines how top executives' experiences and perceptions influence their attitudes toward technological alliance formation and the kinds of information they attend to when individually assessing potential technological alliance opportunities. Their behavioural decision theory suggests that "…executives' cognitive orientations are reflected in (1) their age, educational background, and work experience; (2) their perceptions of their companies' emphasis on technology and risk; and (3) their perceptions of their companies' success in past technological collaborative efforts" (Tyler & Steensma, 1998, p. 940).

Their findings support the view that top executives experiences and perceptions influence the way they process information when asked to assess potential alliances. "Age, technical education, technical work experience, and perceptions of firm success with other technological alliances were all directly related to top executives' assessments of technological alliances" (Tyler and Steensma, 1998, p. 957).

They also found that technical education and perceived firm technological emphasis, risk orientation, and previous success with collaborative activities all moderated executives' weightings of alliance attributes when asked to evaluate potential technological alliance. Their study fits well into Hambrick and Mason's (1984) model of UE perspective of organisations. Apart from concentrating on industries other than tourism, these studies are limited only to reasons for alliance formation. There is a need to broaden the scope into other areas of strategic alliances. This thesis argues that executives characteristics' influence in strategic alliance practice is not only limited to reasons why firms form strategic alliances and attitudes towards alliances only. They influence an array of practices, which determines not only the survival of the strategic alliance but also the survival of the firm in question. Issues concerning the type of the strategic alliance to be adopted and the number of alliance partners or alliances a firm may indulge in is of high concern for managers. Choice of alliance partners emphasising on trust, compatibility, capability, commitment and control cannot be subjected to objective calculation but largely depends on executives' cognitive styles.

Concern has also been raised regarding evaluation of strategic alliance performance (Geringer, 1991; Jennings et al., 2000; Pansiri, 2005a). Research on this area has raised concern over fundamental research obstacles arising from the complexity and dyadic nature of strategic alliances, provoking questions over the use of financial indicators as measures for alliance performance. As a result many authors have called for multiple methods research that puts less emphasis on objective measures and toward perceptual managers' assessments of performance (Killing, 1982; Harrigan, 1985; 1986; Parkhe, 1993a; Inkpen, 1995; Beamish & Delios, 1997) in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. What these authors fail to address is the fact that perceptual assessment of performance raises questions of objectivity normally obscured by limits to rationality and the assessors' cognitive styles. Managers working in the same firm are likely to assess performance differently because of their different characteristics. In view of these challenges, there is a need for a different approach that embraces behavioural elements in both alliance formation and evaluation. This thesis therefore argues that researchers should widen the scope of strategic alliance research with a view of considering these important managerial concerns.

4.1.2 Company characteristics

One of the objectives of this thesis is to find out the role of company characteristics in strategic alliance type selection, choice of alliance partners, and alliance performance outcomes in the travel sector. There is widespread agreement that structure can have a profound impact on strategy through its direct effect on the strategic decision-making process (Fredrickson, 1986; McShane, 2003; Robbins, Millett & Maters-Marsh, 2004). In his overview of the strategy/structure debate, Fredrickson (1986) describes three dimensions of structure (centralisation, formalisation and complexity) that are most likely to affect strategic decision-making. These dimensions have been widely used by many decision-making researchers (e.g. Wally & Baum, 1994; Kauser & Shaw, 2004). Different organisations subscribe to different structures ranging from centralised to decentralised, from formal to informal and from simple to complex. However, there are a number of contingency factors, which influence these organisations' structural dimensions. The most cited of these contingency factors are technology, organisation size and environment (Robbins et al., 2004). This thesis argues that these factors include company characteristics. Company characteristics have received less attention from strategy decision-making reproachers. Fulop (1992) identifies the following as company characteristics used in defining SMEs: legal entity, size (financial capital, annual turnover, number of employees) and ownership. Company characteristics are crucial to this thesis.

Few researchers have studied relationships between company characteristics and firm strategy in the general business setting, and those that have conducted such study have presented mixed findings. For example, Dalton and Kesner (1983) mentioned organisational size as an influence on executive succession patterns. They argue that large organisations are more likely than small firms to replace top management from inside. Schwartz and Menon (1985, p. 685) found that although firm size did not influence decisions to make Chief Executive Officers' (CEO) changes, the larger companies that failed and made such changes displayed a greater preference for external replacements than did the smaller ones. Miller et al. (1998) also found relationships between firm size and comprehensiveness of strategic decision processes and extensiveness of strategic planning. Wincent (2005) found that firm size can be an important determinant for firm performance, and for networking inside and outside the SME network.

Temtime and Pansiri (2005) found that no relationships existed between organisational size, legal form of business, and industry, and perceived critical management factors (i.e. organisational design, HRM development, and competitive strategy), instead they found significant relationships between these critical factors and ownership status, managers' experience and organisation's age. A study by Entrialgo, Fernández and Vázquez (2001) suggests that the resources and competitive strategy of a firm influences its entrepreneurship. They found human and financial capital encourages entrepreneurship and concluded that "it is the firms which compete using differentiation which develop a greater degree of entrepreneurship, compared to the firms competing using cost leadership" (2001, p. 233). However, they failed to establish any linkage between firm age and size, and entrepreneurship.

Figure 4.1 indicates possible ways through which research into strategic decision-making using company characteristics can be undertaken. Unlike the UE perspective, the limited researchers using company characteristics have not explored these characteristics' relationships with diverse strategic options. Figure 4.1 also shows that theoretically, relationships between company characteristics, strategic decision-making options i.e. product innovation, and diversification, and company performance can be established. This company characteristics-strategy-performance perspective (CCSP) portrays company characteristics as determinants of strategic choices, and through the strategic choices, of organisational performance. Figure 4.1 shows that linkages are also possible between company characteristics, strategic alliance options, choice of alliance partners, alliance scope and alliance performance. This thesis investigates this line of reasoning.

Studies following this approach incorporating strategic alliances are lacking. However, Todeva and Knoke (2005) argue that propensities to participate in strategic alliances vary across firms operating within the same organisational field due to diversity of company characteristics, raising possibilities of making such linkages between strategic alliance formation and company characteristics. Kauser and Shaw (2004) found that behavioural characteristics (coordination, interdependence, commitment, conflict, structure and control) play a more significant role in explaining overall alliance performance compared to organisational characteristics (centralisation, complexity and formalisation).

This thesis investigates five company characteristics – sub-sector, size as measured by both number of employees and annual turnover, form of business, and whether the business is family or non-family owned.

(1) ***Sub-sector:*** The emphasis is on the travel agency services sector. Three broad sub-sectors exist in this sector: travel agents, tour operators and tour wholesalers.

(2) ***Size:*** Bolin and Greenwood (2003, p. 5) found that 97 per cent of travel agency and tour operator services are micro and small businesses. The remaining three per cent are either medium or large. A number of attempts have been made to define SMEs (Loecher, 2000; ABS, 1997). Loecher (2000) argues that SMEs can be defined by quantitative criteria such as "number of employees" and "turnover".

a) ***Number of employees:*** Loecher (2000) observes that in the European Union SMEs are companies that have less than 250 workers. ABS (1997) has adopted only "number of employees" as the basis for classifying non-agricultural businesses by size and classify businesses into five categories:

ii. micro businesses – which are defined as those businesses employing less than 5 people;

iii. other small businesses – which are defined as those businesses employing 5 or more, but less than 20 people;

iv. small businesses – which are defined as those businesses employing less than 20 people;

v. Medium businesses – which are defined as those businesses employing 20 or more people, but less than 200; and

vi. Large businesses - which are defined as those businesses employing 200 or more people.

b) ***Annual turnover:*** Annual sales are increasingly being used as measures of business size (Graham, 1999; Loecher, 2000; Johnsen & McMahon, 2005). Loecher (2000) observes that in the European Union, SMEs are companies that have a maximum of 40 million euro annual turnover and a maximum of 27 million euro annual balance-sheet total. While appropriate annual sales measures are difficult to find in the Australian context, Graham (1999) makes reference to the Australian banking industry to argue that small businesses are defined as having an annual turnover of less than A$5 million. Businesses with annual turnover of between A$5 million and A$50 million are classified as medium, while those with annual sales of more than A50 million are large companies.

The definition of SMEs is not universal. It varies from region to region, or from country to country. What can be termed SMEs in Europe (i.e. 250 employees, or turnover of 40 million euros) amount to large companies in Australia, and most Australian SMEs are large companies in Botswana where large companies are those employing 100 or more employees with annual turnover of more than PBW1.5m, an equivalence of A$300,000 (Temtime & Pansiri, 2003).

(3) ***Form of business:*** This has been used as a determinant of effective strategic decision making (Temtime, Chinyoka & Shunda, 2003; 2004; Temtime & Pansiri, 2005). For instance Temtime et al. (2004) observe it is generally assumed that small firms fail due to "poor management" which is largely affected by the legal form of organisation and ownership structure. They argue that:

> the form of organization affects the competency and adequacy of management as most corporations, as opposed to sole proprietorship and partnership firms, are managed by employed professional manager rather than owners or part-owner managers. The problems of corporations are, for example, more complicated than partnership or sole proprietorship firms. However, this does not mean that shared ownership is always problematic (p. 566).

Three forms of business are investigated in this thesis: sole proprietorship, partnership and corporation. Temtime et al. (2004) conclude that it is important to evaluate the impact of legal form of organisation on the managerial decision making process in the firm as this is pivotal to the survival and growth of the proposed firm. The extent to which the legal form of business affect strategic alliance formation has not yet been fully investigated. The interplay between company size, form of business, and the practice of alliance formation in tourism is a viable research area that needs to be explored further in order to identify critical factors that influence alliance formation.

(4) **Family vis-à-vis non-family businesses:** It is anticipated that since most of the businesses in this sector are SMEs, it is highly likely that most of them would be family owned. This is a business structure that is confusing. The confusion arises out of the lack of consensus surrounding the definition of a family firm. Since the emphasis of this thesis is not on family vis-à-vis non-family businesses, a simple definition of family businesses is adopted. They are defined as "businesses in which a single family exercises significant managerial and financial authority" (Harris, Reid & McAdam, 2004, p. 49). Studies on family-owned businesses show that unlike non-family owned businesses, there is always a tension between rational profit seeking activities and non-commercial objectives of the family business (Westhead & Cowling, 1997; Harris et al., 2004) because family-owned businesses are not solely profit maximisers (Westhead & Cowling, 1997). Ownership allows the family to pursue such non-commercial objectives as ensuring inert-generational employment for family members (Harris et al., 2004), and maintaining/enhancing the family lifestyle of owners (Westhead & Cowling, 1997).

Harris et al. (2004) found that family-owned businesses engage in lower levels of employee involvement, and that they are more likely to report average or below average financial performance when compared to non-family-owned businesses. Westhead and Cowling (1997) found that the pursuance of non-financial objectives potentially impede performance of the company. This has ramifications for strategic alliance formation. Studies regarding the effects of family ownership on strategic alliance formation are virtually non-existent, yet this is a construct for scholarly interest since most of SMEs are family owned.

There are some discussions incorporating organisational characteristics and decision-making. These studies have mostly centred on the structure-strategy debate. However, this thesis goes a step further to consider the effects of company characteristics as contingency factors (sub-sector, company size, form of business and whether the business family or non-family owned) on the strategic alliance process shown in figure 4.1.

4.2 Chapter conclusions

Figure 4.1 shows possible ways through which research into strategic decision-making incorporating both executive and company characteristics can be done. The emphasis of this thesis is on how these characteristics influence strategic alliance formation and evaluation. The assumptions behind this framework have been discussed in the introduction of this chapter. Drawing from past studies on decision-making, this framework shows that environmental analysis, strategic choice, and subsequent choice of strategic alliance type, partners, scope and alliance evaluation is highly influenced by both executive and company characteristics. For instance, the choice of a particular type of an alliance or the evaluation of that alliance by an executive of a particular company is highly influenced by that executive’s experience and the size of that particular company.

This chapter consolidates the linkages investigated in this thesis whose main objective is to find out the role of company and executive characteristics in strategic alliance type selection, choice of alliance partners, and alliance performance outcomes in the travel sector. In doing this, the thesis seeks to answer the research question and subsidiary questions set in the first chapter. These questions relate to relationships between company and executives characteristics, and alliances formation and evaluation. In this chapter, these relationships were theoretically outlined. This thesis empirically investigates these relationships in Chapter Six and seven. In doing so, the following chapter outlines how this empirical investigation was conducted, premised on the ideas of pragmatism.

Chapter Five

Research methodology, design and procedure

5.0 Introduction

To address the research question, this chapter outlines the pragmatist approach to the study of strategic alliances. It further offers both the pragmatist's ontological and epistemological position, and further justifies the methods used for gathering data. A model is developed which shows the way that this study was undertaken. This model can be used in any form of enquiry, particularly those related to organisational behaviour and culture where people's experiences and perceptions can be deemed central to understanding the phenomenon under investigation.

5.1 Research methodology

A major challenge arises when one has to choose a methodological approach to management - or whatever subject - because it is obvious that such a choice deeply reflects not only the nature and exigencies of the work to be provided but also the researcher's view of the social world. Every approach has its own interests and realm of application, in the organisation, in research and in everyday life. There is a plethora of texts, which present a wide range of research methodologies from which to select the most appropriate for a particular research project. For instance, there are various dimensions for theoretical and methodological choices most of which have been well captured by Burrell and Morgan (1979) whose abstract classification schema for understanding broad streams of social science approaches to empirical research has inspired many scholars (Chua, 1986; Laughlin, 1987; 1995).

Two major social science paradigms have dominated claims regarding their superiority in research - 'positivist/functional' and 'interpretive' approaches[22] to research in management and tourism studies. Paradigms have been defined as “world-views that signal distinctive ontological (view of reality), epistemological (view of knowing and relationship between knower and to-be known), methodological (view of mode of inquiry), and axiological (view of what is valuable) positions” (Sandelowski, 2000, p. 247). They represent a worldview that defines, for its holders, “…the nature of the ‘world,’ the individual’s place in it, and the range of possible relationships to that world and its parts, as for examples, cosmologies and theologies do” (Guba & Lincoln, 1998, p. 200). It is therefore doubtful that one can hold multiple worldviews.

Many authors have identified a number of different paradigms which largely depend on this positivist/interpretive dichotomy (Burrell & Morgan, 1979; Laughlin, 1995; Lincoln & Guba, 2000). It is argued that "…to be located in a particular paradigm is to view the world in a particular way” (Burrell & Morgan, 1979, p. 24). Paradigms thus define different views of the social world based upon different meta-theoretical assumptions with regard to the nature of science and society. These methodological approaches are mostly relevant to strategy and tourism research. Jennings (2001) and Davies (2003) underscore the importance of these paradigms to tourism research. While evidence suggests that past tourism research has been largely dominated by quantitative methods (Dann, Nash & Pearce, 1988), there is growing indication of increasing diversity of methodologies adopted by tourism researchers (Morgan & Bischoff, 2003) and that discussion of research philosophies as they apply to tourism research can no longer be neglected.

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[22] Burrell and Morgan (1979) argue that the functionalist paradigm represents a perspective which is firmly rooted in the *sociology of regulation* and approaches its subject matter from an *objectivist* point of view. They argue that this paradigm tends to be “*realist, positivist, determinist* and *nomothetic”* (p. 26) as opposed to the interpretive paradigm whose approach to social science tends to *be “nominalist, anti-positivist, voluntarist* and *idiographic”* (p. 28). They argue that the interpretive paradigm sees the social world as an emergent social process which is created by the individuals concerned.

Traditionally, most of the work undertaken in management is positivistic and enhances the belief and commitment to using the natural scientific approach to understanding organisational life. Bettis (1991, p. 316) observes that "…current norms of the field [strategic management] seem strongly biased toward large sample multivariate statistical studies. This leads to a large database mentality, in which large-scale mail surveys and ready made databases such as Compustat, CRSP and PIMS are often favoured." This is supported by Mendenhall, Beaty and Oddou (1993) whose research reveal that of the *International Journal of Management* issues between 1984-1990, only 14 percent were interpretive studies which utilised qualitative approaches, and only 4 percent used joint methodologies. Concern has been raised that the use of 'hard' data sources in management (particularly strategic alliance) research is unlikely to capture the soft core concepts such as motives for alliance formation, partner selection/characteristics, control/conflict and alliance stability/performance, which could be done more effectively through the use of qualitative research (Parkhe, 1993a).

Recently there have been calls for management researchers to employ more mixed method approaches than just quantitative or qualitative research. The view is that a combination of research methods can serve mutual purposes because "…the relative strengths of qualitative and quantitative methods enable management and organisational researchers to address important questions at different stages of a research inquiry" thereby enhancing and enriching current knowledge by 'filling in the gaps' that studies adopting a singular approach are unable to do (Currell & Towler, 2003, p. 524). Few researchers have adopted mixed methods research in management (Andersson & Bateman, 2000; Bansal & Roth, 2000; Egri & Herman, 2000). These studies have adopted a variety of forms. For example, Gupta and Govindarajan (1984) used both questionnaire and interviews in their exploratory empirical study of the effects of linking managerial characteristics to strategic business units (SBU) strategy on SBU effectiveness at strategy implementation. Bourgeois III and Eisenhardt (1988) combined observation, interviews and questionnaires to investigate how executives make strategic decisions in industries where the rate of technological and competitive change is so extreme that information is often unavailable or obsolete. Geringer and Herbert (1991) used pre-tested questionnaires followed by semi-structured interviews to confirm responses in assessing international joint ventures performance. Other mixed method research in strategic alliances include combining quantitative and qualitative data collection (Thakur & Srivastava, 2000), interviews and archival data (García-Canal et al., 2002; Yan & Duan, 2003).

Discussions concerning tourism research methodologies have premised on the origins and epistemology of tourism. There is significant scholarly discussion concerning methodological issues, research orientations, and the most appropriate approaches to tourism studies. Citing a number of authors, Echtner and Jamal (1997) conclude that these discussions reveal that tourism scholars are divided in their opinions as to whether tourism should be studied as a distinctive discipline or as an area of specialisation within existing disciplines. It has been observed that the academic analysis of tourism and hospitality has eclectic origins (Dann et al., 1988; Downward & Mearman, 2004; Tribe, 1997) which embraces disciplines such as geography, political science, law, economics, philosophy, psychology, sociology, anthropology, strategy, human resource management, operations management, and marketing. It is this fragmentation of theory arising from the various disciplines from which tourism researchers were educated that is an impediment to any efforts to achieve any philosophical consistency (Downward and Mearman, 2004) or the establishment of a “common philosophy” (Morrison, 2002, p.164) in tourism and hospitality research. For this reason, most research in tourism has historically tended to emphasise either ‘quantitative’, ‘qualitative’ or ‘triangulation’ of methods without full philosophical justification. The following discussion centres on a few authors in tourism research who have adopted a philosophical position towards tourism research.

Morrison (2002) argues that an awareness and appreciation of alternative philosophies, modes and methods of enquiry appears to be lacking in mainstream hospitality research. She argues that in general, “selected methodologies illustrate a positivistic epistemological bias, and would appear to have more to do with the personal ontological/epistemological preferences, or training, of individual scholars than legitimate scientific enquiry” (2002, p. 164). While Walle (1997) argues that most tourism research lies on a continuum between positivist and interpretive epistemological paradigms, he concurs that techniques which bear the imprints of logical positivism, statistical investigation, and the scientific method continue to dominate research in tourism. In his discussion, Walle (1997) traps himself in the 'cage of scientism'.[23] His view of the scientific method, as a process through which "…the phenomenon under consideration must be empirically verifiable by both the researcher and larger scientific community" (Walle, 1997, p. 525) is only argued in the light of positivist methodologies. He seems to struggle to accept interpretive epistemological paradigms as social sciences. He prefers to refer to them as merely 'artistic investigation' which employs "less rigorous, but more flexible, tools of investigation" (Walle, 1997, p. 528). However, his conclusions are important because he argues that while tourism research involves a series of tradeoffs between positivism and interpretivism with more emphasis on the former, the field of tourism needs to embrace a general recognition of the legitimacy of a variety of research strategies, in order to enhance the quest for human understanding.

In contrast to Walle (1997), Jamal and Hollinshead (2001) favour more qualitative research. They question how the dominance of positivism and scientism can be overcome, making a plea that tourism research should undertake more qualitative enquiry because the tools of positivism are not equipped to deal effectively with tourism dynamics. In the view of Jamal and Hollinshead (2001, p. 69), "…'[r]eality as it is known is lodged in narrative texts that mediate the real' and truth 'is fragile, a co-production, an interactional experience lodged in the moment that connects the reader-as-audience-member and co-performer to a performance text'" as opposed to some solid and unambiguous 'truth' or validity in the scientific/positivist sense. They maintain that qualitative research still struggles to gain legitimacy in several academic disciplines that are oriented towards human social phenomena and this is largely due to the historical baggage of debates and meanings attached to 'subjective' and 'objective' research approaches. "Since 'objective' research is a requirement for validity in the natural sciences and those social science domains that pursue the positivistic model, interpretive approaches tend to be banished as 'merely subjective'" (Jamal & Hollinshead, 2001, p. 69). Although in their conclusions they ask for a dialogue in tourism research on multiple approaches, theories, practices, methods and techniques that

[23] Scientism is used to refer to "…the view that sound thinking demands that we follow methods of demonstration, forms of explanation and proof, that have been found appropriate in the basic natural sciences" (Machan, 1999, p. 600).

can assist researchers in tourism, it is obvious that they are biased towards qualitative research and are committed to a qualitative research agenda that would penetrate the ‘forbidden zone’ of qualitative inquiry with a view to initiate new lines of thinking.

Most qualitative tourism studies fall under this broad interpretive paradigm. For example, Anderson and Shaw’s (1999) research in tourism marketing management; Echtner’s (1999) examination of the application of semiotics to tourism studies; Hollinshead’s (1999) Foucauldian study on the power of surveillance in tourism; Beverland and Bretherton’s (2001) study on reasons for strategic alliance formation in health (pharmaceutical and private healthcare), and tourism (winery and airlines), and Jarratt’s (1998) strategic classification of business alliances.

Departing from Walle’s (1997) tradeoffs in choosing ‘qualitative’ or ‘scientific’ techniques and, Jamal and Hollinshead’s (2001) plea to penetrate the ‘forbidden zone’ of qualitative inquiry, Davies (2003) investigates areas of methodology and epistemology concerned with the generation of a framework that embraces both quantitative and qualitative research. Davies (2003) criticises Walle’s argument that qualitative research lacks rigour compared to quantitative research – that “…‘less rigour’ could be interpreted to mean less accurate” (Davies, 2003, p. 99). He also takes issue with Walle’s idea of trade-offs between quantitative and qualitative research. He argues that “…although depending of the situation, the method preferred in the trade-off may have more appropriateness, the method rejected can still generate useful insights” (Davies, 2003, p. 99). He also criticises Jamal and Hollinshead (2001) for overemphasising qualitative approaches at the expense of an eclectic, holistic research approach.

Davies (2003) sees complementarity of quantitative and qualitative data as important in tourism research. He therefore argues for the combination of the two methods in order to develop a sensible ‘logic of inference’ for tourism. He sees greater possibilities of mixing both methods (quantitative and qualitative) and “…the mixing of conflicting paradigms on which quantitative and qualitative methods are based” (Davies, 2003, p. 104). He presents an integrating framework for different paradigmic approaches which in his view “…ought to encompass an alternative logic of inference, the changing nature of the business environment, and linking and bridging mechanisms" although he concurs that mixing paradigms may present serious philosophical obstacles (Davies, 2003, p. 107). However, his framework falls short of addressing ontological and methodological issues, which the previous authors addressed.

The other paper which addresses the issue of mixing methods with a view to encompassing ontological and methodological issues is by Downward and Mearman (2004). In their argument, they maintain that clarifying the ontological basis of inferences and yielding a logically consistent triangulation of insights is made possible through embracing a critical realist perspective. While their argument has merits and is particularly valuable to tourism research, they fail to address Echtner and Jamal's (1997) and Davies' (2003) concerns for possibilities of mixing of conflicting paradigms on which quantitative and qualitative methods are based. They adopt a critical realist perspective, raising concern about the feasibility of Davies' (2003), and Echtner and Jamal's (1997) quest for the integration of theories and philosophies from various disciplinary areas in tourism research. Although Davies makes reference to a developing literature on paradigmic triangulation based on the work of Geertz (1973), Denzin (1978), and Denzin and Lincoln (1994), this view has been rejected by many authors (Burrell & Morgan, 1979; Chua, 1986; Laughlin, 1995).

Without that feasibility, one is inclined to adopt a paradigm, not because it is logically presented but looking at what extent he/she agrees with its basic assumptions. It is even doubtful whether philosophical consistency is achievable or desirable in tourism research. There is no 'perfect' and 'universally agreed' methodology, and there is still great debate about the meaning of science, procedures, protocol and epistemological claims. "The rules and procedures for research constantly change as scientists look for new methods and techniques of observation, inference, generalisation and analysis…a well-developed research methodology can provide an understanding of the products and processes of scientific enquiry" (Eldabi, Irani, Paul & Love, 2002, p. 64).

5.2 The argument for pragmatism

Considering the current situation of modern society, the fields of both strategy and tourism, in which interaction between individuals, organisations, and society determines organisational survival, this section seeks to ‘clarify and justify’ the standpoint of pragmatism as a methodological approach to the study of organisational life, behaviour and strategy in tourism management. The choice of this approach has been influenced by various factors. These include the fact that most of the research in tourism is highly influenced by positivist research (Davies, 2003, p. 98) amidst a growing outcry for triangulation of methods in order to understand the dynamics of tourism which it is argued can be best handled through pragmatism. In addition, the fact that behavioural elements are central to this study makes the argument for a mixed method imperative.

Pragmatism is a distinctive American philosophy (Aune, 1970; Blosch, 2001) traceable to the “Metaphysical Club” - the legendary, short-lived discussion group in Cambridge, Massachusetts in the early 1870s that brought together many of the "founding fathers" of American pragmatism - Justice Oliver Wendell Holmes, Jr. [1841-1935], William James [1842-1910], Charles Sanders Peirce [1839-1914], Chauncey Wright [1850-1875] and Nicholas St. John Green [1830–1876] (Stuhr, 2000; Purcell Jr. & Erlanger, 2002) and is also linked to the writings of Mead [1863-1931] (Laughlin, 1995) and other contemporary theorists including W.V.O. Quine, Richard Rorty, and Donald Davidson (Murphy & Ricard, 1990; Tashakkori & Teddlie, 1998; Creswell, 2003). Their ideas are essentially premised on the reflections of the Kantean/Fichte/Dilthy philosophical thought of the “projection of our minds” (Laughlin, 1995, p. 72). These origins though not a subject for analysis in this thesis greatly influenced the shape of studies in pragmatism. Pragmatism is derived from the Greek word πραγμα (pragma) which means action, from which the words ‘practice’ and ‘practical’ come (James, 2000).[24] Pragmatism was first introduced into philosophy by Charles Sanders Peirce in 1878 in his article “How to Make Our Ideas Clear”. James

[24] The article “What pragmatism means”, appears in many philosophy websites and books. Citation of this work in this thesis is from *Pragmatism and classical American philosophy*, published in 2000 and edited by John J. Stuhr. Stuhr cite the source of this article as *The Works of William James-Pragmatism,* ed. Frederick Burkhardt (Cambridge, Mass: Harvard University Press, 1975 [1907]), pp. 27-44.

summarises the significance of Peirce's article to the pragmatist paradigm in the following manners:

> Mr. Peirce, after pointing out that our beliefs are really rules for action, said that, to develop a thought's meaning, we need only determine what conduct it is fitted to produce: that conduct is for us its sole significance. And the tangible fact at the root of all our thought-distinctions, however subtle, is that there is no one of them so fine as to consist in anything but a possible difference of practice. To attain perfect clearness in our thoughts of an object, then, we need only consider what conceivable effects of a practical kind the object may involve - what sensations we are to expect from it, and what reactions we must prepare. Our conception of these effects, whether immediate or remote, is then for us the whole of our conception of the object, so far as that conception has positive significance at all (James, 2000, p. 194).

Baert (2003), Snarey and Olson (2003) and Pansiri (2005b) argue that to talk about pragmatism does not suggest a unified doctrine with set principles shared by all members, and that in fact differences emerged even among its seminal thinkers. Nevertheless, common themes are identifiable. For example, Menand as cited by Snarey and Olson (2003, p. 92) argues that they – particularly the 'founding fathers':

> …all believed that ideas are not "out there" waiting to be discovered, but are tools—like forks and knives and microchips—that people devise to cope with the world in which they find themselves. They believed that ideas are produced not by individuals, but by groups of individuals—that ideas are social. They believed that ideas do not develop according to some inner logic of their own, but are entirely dependent, like germs, on their human carriers and the environment. And they believed that since ideas are provisional responses to particular and unreproducible circumstances, their survival depends not on their immutability but on their adaptability (pp. xi–xii).

Some analysts have declared that "…the metaphor of the 'paradigm wars' is undoubtedly overdrawn" (Guba & Lincoln, 1998, p. 218) and that the "paradigm wars are over" (Tashakkori & Teddlie, 1998, p. 12). In making this statement, Tashakkori and Teddlie make the mistake of attributing pragmatism as a mitigating factor between the different paradigms since it mixes methods. Though fairly recent as compared to the others, pragmatism has positioned itself as a contending paradigm. Recent debates between Powell's (2001; 2002; 2003) pragmatist views and those of essentially positivist scholars, Durand (2002) and Arend (2003) on the logical and philosophical foundations of the competitive advantage hypothesis show the contending position of pragmatism. To show pragmatism's difference from the two main streams, Powell (2001, p. 884) argues that:

> The pragmatist epistemology stands in contrast to prevailing positivist and anti-positivist views of scientific discovery. Whereas positivism emphasizes the objective, lawlike properties of a brute reality independent of observation (Donaldson, 1992; Wicks and Freeman, 1998), anti-positivism emphasizes the creative role of active, subjective participants, none of whom owns a privileged claim on truth (Burrell and Morgan, 1979; Astley, 1985; Martin, 1990). Pragmatism, on the other hand, rejects positivism, on grounds that no theory can satisfy its demands (objectivity, falsify-ability, the crucial experiment, etc.); and rejects anti-positivism, because virtually any theory would satisfy them.

Debates on the major distinctions between paradigms centres on methodological issues (Burrell & Morgan, 1979; Chua, 1986; Laughlin, 1995; Tashakkori & Teddlie, 1998; 2003), levels of methodological sophistication and prior theorisation, and emphasis given to critique of status quo and the need for change (Laughlin, 1995; Dann et al., 1988). Furthermore, various paradigms differ on the basis of methods, logic, epistemology, axiology, casual linkages, and nature of knowledge. Pragmatists do not in anyway try to offer an emancipatory program as do critical theorists, and while they agree with positivists/post-positivists regarding the existence of an external world independent of people's minds, they put emphasis on choosing explanations that best produce desired outcomes.

The leading epistemological ideas in pragmatism are those of 'belief', 'doubt' and 'habit'. Peirce (2000)[25] argues that:

[25] Charles Sanders Peirce's work, "The Fixation of belief" was first published in *Popular Science Monthly* 12 (November 1877), 1-15. It is also included in *Pragmatism and classical American philosophy*, published in 2000 and edited by John J. Stuhr. The pages cited in this thesis are from the edited book rather than the original text. It was difficult to find the article as was published in *Popular Science Monthly*. Many electronic sources of the same article are available on many philosophy websites.

> Our beliefs guide our desires and shape our actions. […] The feeling of believing is a more or less sure indication of there being established in our nature some habit which will determine our actions. Doubt never has such an effect. […] Doubt is an uneasy and dissatisfied state from which we struggle to free ourselves and pass into the state of belief; while the latter is a calm and satisfactory state which we do not wish to avoid, or to change to a belief in anything else. […] Belief does not make us act at once, but puts us into such a condition that we shall behave in some certain way, when the occasion arises. Doubt has not the least such active effect, but stimulates us to inquiry until it is destroyed. […] The irritation of doubt causes a struggle to attain a state of belief. I shall term this struggle *inquiry,* […] The irritation of doubt is the only immediate motive for the struggle to attain belief (Peirce, 2000, p. 70).

In pragmatism, both knowledge and social reality is based on beliefs and habits which are socially constructed by the processes of institutionalisation,[26] legitimation[27] and socialisation[28] (Berger & Luckmann, 1967; Yefimov, 2003). Yefimov (2003) argues that knowledge and social reality is historical because "…institutions can not be created instantaneously. Institutions always have a history, of which they are the products." Berger and Luckman (1967, p. 72) argue that it is impossible to understand an institution adequately without an understanding of the historical process in which it was produced. Therefore, pragmatists refute the idea that 'truth' can be determined once and for all. They see 'truth' as a normative concept, just like 'good' and they maintain that "truth is what works", hence knowledge claims cannot be totally abstracted from contingent beliefs, interests and projections (Tashakkori & Teddlie, 1998, p. 28). For example, while James (2000, p. 197-201) argues that for pragmatists, 'truth' means the same thing as it means in science – that ideas (which themselves are but parts of experience) become true just in so far as they help us to get into satisfactory relations with other parts of our experience, he

[26] "Institutionalization occurs whenever there is a reciprocal typification of habitualized actions by types of actors. Put differently, any such typification is an institution" (Berger and Luckman, 1967, p. 72).
[27] "The institutional world requires legitimation, that is ways by which it can be explained and justified" (Berger and Luckman, 1967, p. 79).
[28] Socialisation may be defined as the comprehensive and consistent induction of an individual into the objective world of a society or a sector of it. It happens when the individual achieves a capacity of the immediate apprehension or interpretation of an objective event as expressing meaning (Berger and Luckman, 1967, p. 150).

maintains that ‘true’ “…is the name of whatever proves itself, and good, too, for definite, assignable reasons”.

Powell (2001, p. 884) maintains that a true proposition is one that facilitates fruitful paths of human discovery, and should only be retained, deployed and improved as long as it provides a profitable leading. It will be abandoned for more attractive propositions, and be referred to as ‘falls’ when “it begins to frustrate discovery”. In classical Peirce pragmatism, the way to understand these issues is via a process of enquiry through scientific investigation. Rorty puts it (1999, p. xxv) this way:

> [W]e pragmatists cannot make sense of the idea that we should pursue truth for its own sake. We cannot regard truth as a goal of inquiry. The purpose of inquiry is to achieve agreement among human beings about what to do, to bring about consensus on the ends to be achieved and the means to be used to achieve those ends. Inquiry that does not achieve coordination of behaviour is not inquiry but simply wordplay. …There is no deep split between theory and practice, because on a pragmatist view all so-called ‘theory’ which is not wordplay is always already practice.

The above statement is closely associated with Rorty’s definition of pragmatism. He (1991, p. 27) defines pragmatism as “the claim that the function of inquiry is, in Bacon’s words, to ‘relieve and benefit the condition of man’ – to make us happier by enabling us to cope more successfully with the physical environment and with each other.” The mandate of science to pragmatists is not to find truth or reality, the existence of which are perpetually in dispute, but to facilitate human problem-solving (Powell, 2001), to help realise desirable human ends, and enhance the quality of life (Dwyer, 1987). This is based upon John Dewey’s idea (as cited by Powell, 2001, p. 884) that science should overthrow:

> the notion, which has ruled philosophy since the time of the Greeks, that the office of knowledge is to uncover the antecedently real, rather than, as is the case with our practical judgments, to gain the kind of understanding which is necessary to deal with problems as they arise.

Dwyer (1987, p. 25) argues that there are two ways which science can be of value to people:

> In the first place it can be of cognitive or epistemic value in helping us to improve our knowledge of the (natural and social) world, to understand its workings, to appreciate its underlying mechanisms. In the second place it can be of practical or technological value in helping us to exert control over the world in the service of people's material needs. Once it is recognised that human welfare has both a cognitive dimension involving what might be called "intellectual satisfaction" and a practical dimension relating to man's more material and social needs, pragmatists see no reason to limit the aims of scientific enquiry to promoting the former set of interests only.

The objective of a pragmatist enquiry such as this is not to find truth, but to improve human knowledge of the social world and enhance the understanding of alliance relationships. This enables alliances to be of more value to tourism businesses. Understanding of alliance practice can bring value to tourism businesses in many ways. Such an understanding may lead to better management of inter-organisational relationships, reduction of transaction costs and improve productivity and profitability.

In terms of the mode of enquiry, pragmatism embraces the two extremes normally espoused by positivists/post-positivists and those supported by interpretivists. Methodologically, positivism/post-positivism's approach is nomothetic and is based on systematic protocol and technique methods which are employed in the natural sciences, which, according to Burrell and Morgan (1979), focus upon the processes of testing hypotheses in accordance with the canons of scientific rigour. It involves the development of a theory (the assumption, including the definition of variables and the logic that relate them and the set of substantive hypothesis) which is predictory in nature. As Watts and Zimmerman (1986, p. 8) observe, such propositions are concerned with how the world works, "they take the form 'If A then B'". Such predictions can then be refuted by evidence through a scientific test for the analysis of data. Surveys, questionnaires, personality tests and standards are predominantly among the sources of data, which comprise nomothetic methodology in management. This contrasts with interpretive/constructivism which is ideographic and observes that social science can only understand the social world by obtaining first hand knowledge of the subject under investigation. This approach stresses the importance of letting one's subject unfold in nature and characteristics during the process of investigation. As Burrell and Morgan (1979) observe, the researcher has to understand from the 'inside' rather than the 'outside'. However, it is difficult to specify precisely the procedures for conducting interpretive research, but as Chua (1986) observes, these researchers emphasise qualitative data collection (participant observation, case studies, awareness of linguistic cues and a careful attention to detail) and analysis (i.e. content analysis, emerging theme analysis, and narrative analysis).

Pragmatism has been hailed as the foundation of mixed method research (Tashakkori & Teddlie, 1998; Teddlie & Tashakkori, 2003), and Maxcy (2003) outlines a discussion of the link between pragmatism and the use of mixed methods in the social and behavioural sciences. Mixed method studies have been defined as those studies involving "…the collection or analysis of both quantitative and/or qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research" (Creswell et al., 2003a, p. 212). A mixed method study has also been seen as one in which the researcher tends to base knowledge claims on pragmatic grounds, employs strategies of inquiry that involve collecting data either simultaneously or sequentially to understand best the research problem (Creswell, 2003). Different names are used to refer to the same concept of mixed methods studies, for instance, interrelating qualitative and quantitative data (Fielding & Fielding, 1986), between or cross-method triangulation (Denzin, 1970; Jick, 1979), multimethodology research (Hugentobler, Israel & Schurman, 1992), integrating qualitative and quantitative methods (Steckler, McLeroy, Goodman, Bird & McCormick, 1992), and multi-method study (Snow & Thomas, 1994). As Creswell et al. (2003a) observe, central to these terms is the thought of combining or integrating different research methods. The use of mixed method approach is gathering momentum in the social sciences (Creswell, 2003; Tashakkori & Teddlie, 1998; 2003), in management (Snow & Thomas, 1994; Currell & Towler, 2003) and in tourism research (Davies, 2003).

The idea that knowledge claims arise out of actions, situations, and consequences rather than antecedent conditions (as in positivism) remains central to most pragmatists (Creswell,

2003) most of whom are concerned with applications – "What works" – and solutions to problems (Rorty, 1999; Powell, 2001; Creswell, 2003). Creswell further argues that instead of methods being important, the problem is most important and individual researchers have a freedom of choice regarding the methods, techniques, and procedures of research that best meet their needs and purposes. Pragmatism rejects the forced choice between positivism (including postpositivism) and interpretivism with regard to methods, logic, and epistemology. As Tashakkori and Teddlie (1998) argue, pragmatism rejects the either-or of the incompatibility thesis and embraces both points of view, and is more oriented toward using both qualitative and quantitative methods. Positivism believes that inquiry is value-free while interpretivism believes that enquiry is value-bound. For pragmatists, values play an important role in conducting research and interpreting results, and the researcher is advised to accept external reality and choose explanations that best produce desired outcomes.

5.3 Justification of the methodology

While the issue of mixing methods is emerging in tourism, very few authors have attempted to link the debate to philosophical issues. The few who have done so, for instance Davies (2003) and, Downward and Mearman (2004) fail to resolve major philosophical problems. Davies' position fails to fully address the lack of ontological foundation and consequently does not fully resolve the methodological issues at stake (Downward & Mearman, 2004). Downward and Mearman present critical realism as a consistent research programme where triangulation of both qualitative and quantitative methods can be achieved. While their argument is inspirational, the issue of triangulation of methods is limited by the ideas of critical realism. Realism purports among other things, that the task of the social sciences is to get access to and unveil a social reality (that is stratified and exists independently of people's perceptions) in all its complexity because as long as it operates according to the right methods, it is capable of accessing aspects of social reality that may not even be immediately accessible by observations (Baert, 2003). In the view of pragmatists, such an approach is too simplistic and does not understand the social world in its totality. As Baert (2003, p. 98) argues:

> the main rationale underlying this [realism] position is that social systems are open, irreducibly so, and to such an extent that researchers cannot anticipate all possible mechanisms, structures or powers that may intervene in the research process. As such, substantial reliance on empirical testing (as falsification and corroboration) is a contentious means of establishing the truth content or cognitive validity of those propositions that state the nature of the existing mechanisms in operation. Likewise, I am highly sceptical about the realist argument that stylised facts (as observed regularities) are an essential step towards uncovering these mechanisms. Why would empirical regularities be a stepping stone towards revealing scientific laws if (as realists claim) various mechanisms are intervening with and affecting the surface level?

Due to the limitations of critical realism identified by Baert (2003), it may be appropriate to examine other approaches to how mixed methods can be achieved successfully. Pragmatism offers a viable option to achieve this. Pragmatism has been hailed as the best paradigm for justifying the use of mixed methods research (Tashakkori & Teddlie, 1998; Teddlie & Tashakkori, 2003; Rallis & Rossman, 2003) and considers the research question to be more important than either the method used or the paradigm that underlies the method (Tashakkori & Teddlie, 1998; Teddlie & Tashakkori, 2003).

> Methods are like the kaleidoscope - depending on how they are approached, held, and acted towards, different observations will be revealed. This is not to imply that reality has the shifting qualities of the colored prism, but that it too is an object that moves and that will not permit one interpretation to be stamped upon it (Denzin, 1970, pp. 298-299).

Any research method chosen has inherent flaws and the choice of that method obviously limits the conclusions that can be drawn (Scandura & Williams, 2000). It is therefore essential to obtain corroborating evidence from using a variety of methods in order to achieve validity. Mixed methods are therefore a way of achieving this through triangulation of methods. The idea of triangulation is not new. Denzin (1970, p. 291) defines triangulation as "…the combination of methodologies in the study of the same phenomenon." Following Denzin's (1970) seminal work on triangulation, four kinds of triangulation are identifiable which many authors have discussed at length – data triangulation, investigator triangulation, theory triangulation and methodological triangulation (Denzin, 1970; Jick, 1979; Macdonald & Tipton, 1993).

Methodological triangulation is the focus of this thesis – combining dissimilar methods to measure the same phenomenon. The rationale for this strategy is that the flaws of each single method will be compensated by the counter-balancing strengths of another, and by combining methods, observers can achieve the best of each, while overcoming their unique deficiencies (Denzin, 1970; Amaratunga, Baldry, Sarshar & Newton, 2002). Webb et al. (1966, pp. 173-174) as cited by Denzing (1970, p. 308) argues that:

> So long as one has only a single class of data collection, and that class is the questionnaire or interview, one has inadequate knowledge of the rival hypotheses grouped under the term "reactive measurement effects…" …As long as the research strategy is based on a single measurement class, some flanks will be exposed, and even if fewer are exposed with the choice of the questionnaire method, there is still insufficient justification for its use as the only approach. No single measurement class is perfect, neither is any scientifically useless.

Amaratunga et al. (2002) looked at the strengths[29] and weaknesses[30] of both quantitative and qualitative methods and observed that the essence of mixed method is therefore to enable confirmation or corroboration of each other via triangulation; to enable or develop analysis, providing richer details; and to initiate new lines of thinking through attention to surprises or paradoxes, "turning ideas around", and providing fresh insights. Oppermann (2000, p.

[29] Amaratunga et al. (2002, p. 20) summarise the strengths of positivist (quantitative research) paradigm as relating to the fact that: "They can provide wide coverage of the range of situations; They can be fast and economical; Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions". On the other hand they list the strengths of phenomenological (qualitative research) paradigm as relating to the fact that: "Data-gathering methods seen more as natural than artificial; Ability to look at change processes over time; Ability to understand people's meaning; Ability to adjust to new issues and ideas as they emerge; contribute to theory generation"

[30] Amaratunga et al. (2002, p. 20) summarise the weaknesses of positivist (quantitative research) paradigm as relating to the fact that: "The methods used tend to be rather inflexible and artificial; They are not very effective in understanding processes or the significance that people attach to actions; They are not very helpful in generating theories; Because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future." On the other hand they summarise the weaknesses of phenomenological (qualitative research) paradigm as relating to the fact that: "Data collection can be tedious and require more resources; Analysis and interpretation of data may be more difficult; harder to control the pace, progress and end-points of research process; Policy makers may give low credibility to results from qualitative approach."

143) argues that by using one method especially interviewing with closed questions, "…the data are limited to responses to the given questions and especially the categories provided. Other, possibly more important, categories not included will not be detected and, therefore, the results will be biased towards the preconceived categories provided." Therefore, other methods could be used in addition to surveys as a way of providing a more accurate picture. Amaratunga et al. (2002) observe that there is a strong suggestion within the research community that research, both quantitative and qualitative, is best thought of as complementary and should be mixed in research of many kinds. In this manner, the weaknesses in each single method is compensated by the counter-balancing strengths of another.

5.4 Model for researching strategic alliances in tourism

The pragmatist idea that knowledge claims arise out of actions, situations and consequences, and is socially constructed by the processes of institutionalisation, legitimisation and socialisation places company and managerial characteristics at the core of any inquiry that seeks to understand organisational life. This is shown in Figure 5.1. Pansiri (2005a) developed a model for understanding the interplay between managerial characteristics and various strategic alliance practices, i.e. drivers for strategic alliance formation, alliance types, choice of alliance partners, and alliance evaluation (for further discussion see Pansiri, 2005a). To Pansiri (2005a), company characteristics are added as a way of questioning if they also influence alliance formation and evaluation in the travel sub-sectors of travel agencies, tour operators and wholesalers.

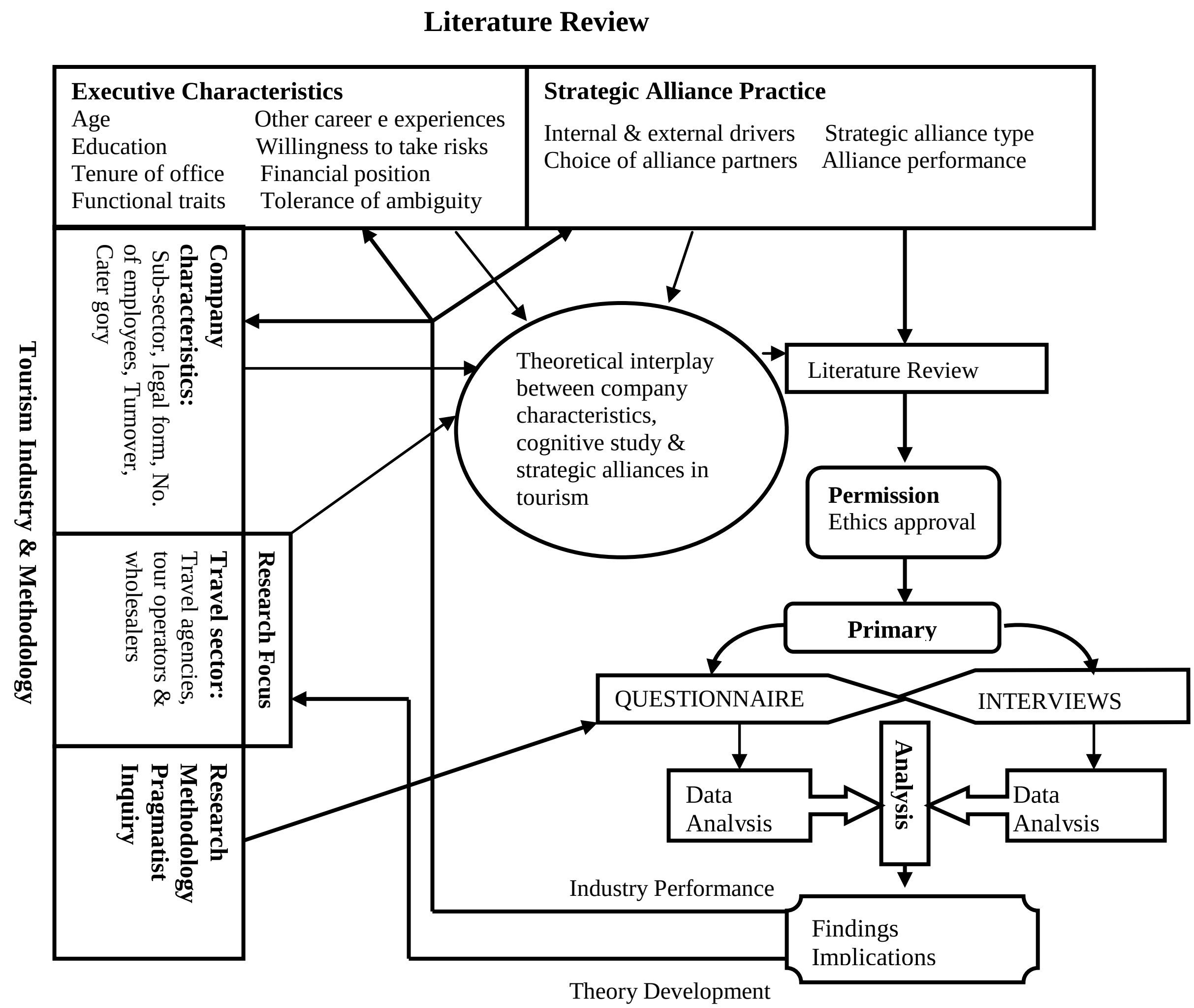
This model is a process that seeks to answer the research question and its subsidiary questions developed in Chapter One. Strategic alliance, company and executives characteristics form the theoretical basis for the entire research. Extensive literature review was undertaken to relate these theoretical issues. After permission was obtained to undertake the research, data were collected using both closed-ended mailed questionnaires and in-depth semi-structured interviews. This process led to data analysis, which subsequently fed back to both theory and industry through findings, implications and recommendations.[31] Generating information and new ideas is the whole essence of research and this is in line with pragmatism's emphasis on applications – "What works" – and solutions to problems (Creswell, 2003). Therefore research improves theory used for investigation, and in tourism, it is important that research should enhance the efficiency and effectiveness of the industry. Data are analysed in Chapter Six, and the implications of these findings for both strategic alliances and tourism are then discussed in Chapter Seven, which further make recommendations to the tourism industry with specific emphasis on the three sub-sectors under investigation.

5.5 Primary research design

In line with the pragmatist paradigm discussed above, the method used to produce this thesis was a descriptive survey research and in-depth semi-structured interviews. As the general objective of the study was to examine the influence of company and executive characteristics on alliance type selection, choice of alliance partners, alliance structures, and alliance performance evaluation, the research was designed to describe effectively the current thinking and understanding of businesses about strategic alliances, and develop strategies for effective alliance formation and implementation. There are many mixed methods designs identified in the literature (Tashakkori & Teddlie, 1998; 2003; Creswell et al., 2003b; Creswell, 2003; Pansiri, 2005b), however, this study adopted the sequential explanatory strategy (see Figure 5.2) with a view of using qualitative methods to explain quantitative results. Figure 5.2 is a research process that started with quantitative data collection using a survey instrument (Appendix 2), followed by in-depth semi-structured interviews (Appendix 3).

[31] One industry association had requested that the findings of the research be communicated to its members. A report has already been prepared to be given to the association and its members, and other executives who participated in the study. The report is to be sent after the thesis has been submitted.

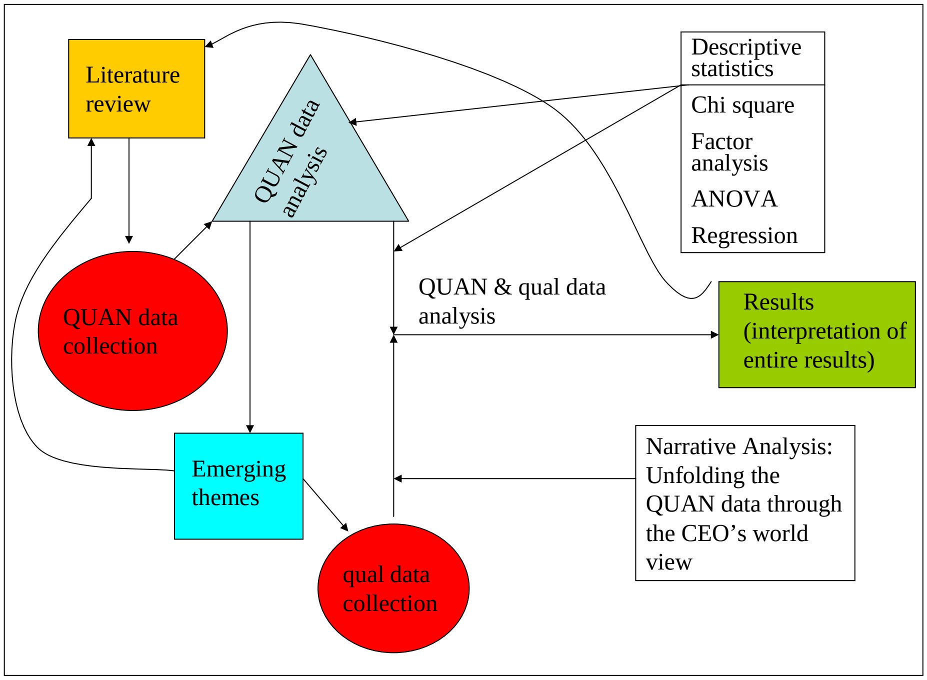
Figure 5.1: Research model into strategic alliance in tourism



Source: Adapted from Pansiri (2005b, p. 200)

Survey data were collected, coded and entered into Statistical Package for Social Scientists (SPSS). Preliminary analysis using averages, means, correlations and standard deviations determined the trend in responses. Inferential statistical analysis using tests to be discussed in Chapter Six was also performed. This gave the researcher ideas in terms of what to look for in conducting semi-structured interviews. Then qualitative data collection was done in the form of in-depth semi-interviews (Appendix 3). This data gave further understanding of the quantitative data. The two sets of data were then analysed concurrently to understand the phenomenon under investigation. Figure 5.2 should be understood as an extension of the broad research model into strategic alliances in tourism (Figure 5.1). Narrative analysis was used to analyse quantitative data. Figure 5.2 illustrate how this data was analysed concurrently using different types of methods, which are explained further in Chapter Six.

Figure 5.2: Primary Research Design[32]



5.6 Methods

The objective of this thesis is to examine the relationships that drive strategic alliance formation. This thesis looks at the influence of company and executive characteristics, on strategic alliance type selection, choice of alliance partners, alliance structure and alliance evaluation in the Australian travel sector. The issues were addressed by gathering the opinions and experiences of top managers (CEOs, MDs) since it is not only they who are strategic alliance designers, but also the same people whose characteristics and perceptions influence alliance formation.

[32] 'qual' stands for qualitative, 'quan' stands for quantitative, capital letters – 'QUAL' and 'QUAN' denote high priority or weight, and lower case letters – 'qual' and 'quan' denote lower priority or weight.

The data collection instruments were a survey and in-depth semi-structured interviews. Both were directed at a random sample of top executives in the travel sectors of travel agents, tour wholesalers, and tour operators in Australia. Data gathered by the survey instrument was done over a six-month period (February –August in 2005), including a pilot study. A random sample of 700 tourism businesses was selected from a list of 4610.

The primary source for original firm selection was the Travel Compensation Fund (TCF) industry website directory. These firms were checked against the Council of Australian Tour Operators (CATO) and the Australian Federation of Travel Agents (AFTA) lists (available in their websites) to verify if such firms were travel agents, tour operators or tour wholesalers. For those businesses that had listed websites, their websites were accessed to obtain the name of an executive likely to be able to complete the survey, and his or her title, and complete addresses (both physical and email). The CEO/MD was chosen unless another person more clearly matched the needs of this survey, for example, a director of the company. For those businesses whose names were corroborated between the TCF list and either of the other two organisations mentioned above, but did not have any website to identify appropriate executive details, a hard copy was sent to the address of the MD.

Sending a hard copy to the MD was important because of the need to ensure that the sample was as representative as possible, even of those, which for one reason or another, had no websites. These processes yielded 600 organisations. Most of the organisations removed from the original list were either associations, airline owned travel centres (e.g. QANTAS), accommodation providers and different registered companies owned by the same person. Therefore 600 businesses were approached (435 by electronic and 165 by hard copy) to complete the survey.

5.6.1 Instrument and procedures

Construction of survey instrument: To generate measurement items, exploratory research can use several techniques, “including literature searches, experience surveys, and insight stimulating examples" (Churchill, 1979, p. 67), focus groups involving relevant actors, and analysis of critical incidents (Parkhe, 1993b). For this survey, extensive review of the literature with emphasis on generating a pool of items that tapped the core theoretical constructs was undertaken. This led to Figures 3.1 and 4.1, and the measurement items used for this study. These measurement items have been tested and verified for validity in previous studies (Henderson & Nutt, 1980; Gupta & Govindarajan, 1984; Hambrick & Mason, 1984; Geringer & Herbert, 1991; Morgan & Hunt, 1994; Faulkner, 1995; Shamdasani & Seth, 1995; Rajagopalan & Datta, 1996; Moore & Cunningham III, 1999; Tsang, 2002; Weber, Blais & Betz, 2002; Temtime & Pansiri, 2003)

Once the items were generated, a pilot survey was conducted. This was undertaken to assess the length of the questionnaire, its readability and mode of distribution and not to test the reliability of the instrument since most of the items have already been used. The pilot survey was conducted between February and April 2005.

The original questionnaire included among others, two sets of questions where the respondents were to answer 25 questions evaluating the one strategic alliance that they perceived to be the best of all their strategic alliances on a Likert scale of 1 - 5. This was followed by 14 questions, which wanted respondents to rate on a Likert scale of 1 – 5 the effects that going into the best strategic alliance evaluated under the previous questions has had on their current company/firm performance versus its performance before joining the strategic alliance. The second set wanted the respondents to evaluate the same factors but this time of the one strategic alliance that they perceived to be the worst of all. The rationale behind this was to assess the worst types of alliances and how they differed from those perceived to be the best. This was later abandoned because the response rate of 6 per cent was very poor. Of the ones, which responded, 66.67 per cent did not complete the section on the worst alliance they had. The conclusion drawn from this was that that the questionnaire was too long. The final version of the questionnaire was shortened by removing questions on the worst strategic alliance.

5.6.2 The final questionnaire

The questionnaire used in this study is made up of three sections (see Appendix 2). Section I deals with company characteristics variables such as firm size, industry sub-sector affiliation, and form of ownership. Section II evaluates various strategic alliance items presented under five major areas. Section III deals with executive characteristics.

Section 1: Company characteristics: These are company/firm specific variables most of which have previously been used in management research. For example Tyler and Steensma (1998) used industry and firm size in their assessment of potential technological alliances, and Golden and Dollinger (1993) have confirmed relationships between firm size and alliance participation. Firm size was measured by the number of employees (Erramilli, 1991) and an organisation's annual turnover (Temtime & Pansiri, 2003). Industry variables included three travel sub-sectors – travel agents, tour wholesalers, and tour operators. Other variables under study included legal form of business and whether the company is a family owned business (Temtime & Pansiri, 2003). Variables used to measure company characteristics have been listed in Section 1 of Appendix 2. For Chi-square analysis, questions 6 and 8 were recoded because some cells had expected counts less than five[33] (Coakes & Steed, 1999; Field, 2005). Question 6 was recoded (1) Less than 5, (2) Between 5 – 49, and (3) 50 and above. Question 8 was recoded (1) Less than A$M, (2) Between A$1,000,001 – A$5M, and (3) Above A$5M.

Section II: Strategic alliance practices: This was divided into five sections; types of alliances companies are engaged, drivers for strategic alliance formation in the tourism industry, choice of strategic alliance partners, and strategic alliance performance:

Types of strategic alliances: Participants were asked to indicate which out of eight strategic alliance types their companies were involved in, both in Australia and abroad, and from which sectors in the tourism industry their alliance members came from. These alliances

[33] According to Coakes and Steed (1999, p. 107), "when the number of cells is less than ten and particularly when the total sample size is small, the lowest expected frequency required for chi-square test is five. However, the observed frequencies can be any value including 0."

types are Joint venture (JV), Equity participating alliance (EPA), Brand sharing (BSA), Franchises and licensing (FLA), Marketing and distribution agreements (MDA), Joint selling or distribution (JSA), Sharing information and communication technology (SICA), and Joint purchasing and equipment/office sharing (JPEA). Three broad sectors were also included in the questionnaire – accommodation, travel and transportation. Respondents without any alliances were asked to complete only sections I and III.

Drivers of strategic alliance formation in the tourism industry: Various 'external' and 'internal' drivers influence firms to form strategic alliances (Faulkner, 1995; Glaister & Buckley, 1996; Nielsen, 2002). Thirteen variables measure these drivers and have been listed in question 13 under Section II of Appendix 2. These variables were adapted from Faulkner (1995) and Tsang (2002). The variable "strength of personal relationships" was developed by the researcher. For each of the statements, respondents were asked to indicate on a 5-point scale [from (1) very low influence to (5) very high influence] the degree to which these factors were influential, leading to the formation of strategic alliances.

Choice of strategic alliance partners: This is divided into five factors with a variety of items under each factor. The items are listed in Table 5.1. (i) Compatibility: Two dimensions used by Shamdasani and Seth, (1995) and two used by Faulkner (1995) were adapted to evaluate strategic alliance relationships. These give an indication as to whether alliance partners are compatible. (ii) Capability: This was measured by the level of complementarity as adapted from Faulkner (1995). (iii) Commitment: Measures for commitment were adapted from Moore and Cunningham III (1999). (iv) Trust: Variables for trust included four items assessing the respondent's views on counting on the alliance partner to do what is right with high integrity (Morgan & Hunt, 1994), whether alliance partner makes false claims or promises and the partner's honesty about problems when they arise (Moore & Cunningham III, 1999). (v) Control – two dimensions developed by the researcher from analysing a study by Medina-Muñoz et al. (2003). For all the 18 items, respondents were asked to indicate on a five-point Likert scale [from (1) strongly disagree to (5) strongly agree] the level to which they agree with the statement. Respondents were asked to use an example of their best strategic alliance to evaluate the statements.

Table 5.1: Choice of alliance variables

Theoretical themes	**Items**
Compatibility	Our company is satisfied with the strategic alliance Our company is likely to continue with the strategic alliance We selected each other because we were of an approximately similar size and strength We selected each other because our culture was compatible We selected each other because there were possible synergies perceived in working together
Capability	We selected each other because we had complementary assets
Commitment	We selected each other because we were all very committed to the relationship Our partner is quite willing to make long-term investment in the alliance. Our partner has a strong sense of loyalty to the alliance Our partner is willing to dedicate whatever people and resources it takes to make the alliance a success This alliance is something our organisation intends to maintain in the future The alliance is based on a strong sense of loyalty to other alliance members The alliance deserves our organisation's maximum effort to maintain.
Trust	Alliance partners can be counted on to do what is right Alliance partners do not make false claims or promises Alliance partners are honest about problems when they arise Alliance partners have high integrity
Control	We exert informal control over our alliance partners in order to achieve alliance objectives We exert formal control over our alliance partners in order to achieve alliance objectives

Strategic alliance performance: Subjective measures were used to measure strategic alliance performance. These measures were divided into two:

(i) Perceived strategic alliance performance: A 14 -item scale adapted from Geringer and Hebert, (1991) was used to assess current firm/company performance versus its performance before joining the strategic alliance. As indicated in question 15 of Appendix 2, respondents were asked to evaluate the strategic alliance actual performance by assessing their current company/firm performance versus its performance before joining the strategic alliance on 14 items. This assessment was done using a five point Likert scale ranging from (1) "much worse" to (5) "much better".

(ii) Perceived overall satisfaction with the alliance: A five-point Likert scale ranging from "strongly disagree" to "strongly agree" was used to measure managerial perceptions using six items about the level of satisfaction with the alliance. Two items; (a) in general, my organisation is satisfied with the strategic alliance overall performance, and (b) in general, our partner is satisfied the strategic alliance overall performance; were adopted from Geringer and Hebert (1991). The item "The alliance has enabled us to develop new technology processes" was adapted from Doz et al. (2000) while "We have benefited from technology transfer from our partners" was adapted from Kotabe et al.(2003). "We have learned or benefited from our partners' specific skills and competencies" was adapted from Tsang (2002). The last item, "We have experienced an increase in the number of clients since we joined the alliance" was developed by the researcher in consultation with the principal supervisor. In assessing both '*perceived strategic alliance performance*' and 'p*erceived overall satisfaction with the alliance*', respondents were asked to use an example of their best strategic alliance to evaluate the statements.

Section III: Executive characteristics: Respondents were asked to report their age, gender and tenure of office [measured as the number of years the respondent had spent with a firm] (Michel & Hambrick, 1992, p. 21), educational level - measured on a seven-point scale based on the highest educational qualification earned by the respondent [1 = not completed high school, 2 = High school, 3 = TAFE, 4 = Undergraduate degree, 5 = MBA, 6 = Masters degree, and 7 = Doctorate] (Rajagopalan & Datta, 1996, p. 206), past functional experience (Hambrick & Mason, 1984; Rajagopalan & Datta, 1996) measured in terms of the number of years a respondent spent in any one of the following seven different functional categories [1 = production/operation, 2 = marketing, sales, and merchandising, 3 = finance/accounting, 4 = human resource management, 5 = product R&D, and 6 = planning and general management] (Rajagopalan & Datta, 1996, p. 206).

The other managerial characteristics of respondents investigated are: ***(a) Tolerance for ambiguity.*** This was measured by four items developed by Lorsch and Morse (1974) and adapted by Gupta and Govindarajan (1984, p. 33). For each of the statements, respondents were asked to indicate on a five-point Likert scale whether they (1) strongly disagree or (5) strongly agree. These items are listed in question 25 under Part III of Appendix 2. ***(b) Willingness to take risk.*** This was measured using six items from Weber, Blais and Betz's (2002) domain-specific risk-attitude scale (see question 26 under Part III of Appendix 2). This scale contains five domains of risk: financial, health/safety, recreational, ethics and social risk. It was beyond the scope of this thesis to consider all the domains. Only six items under financial risk were considered for this thesis. For each of the statements, respondents were asked to indicate on a five-point Likert scale whether it was (1) extremely unlikely or (5) extremely likely for them to engage in the activity. (c) Respondents were also asked how they would rate (on a five-point Likert scale ranging from (1) very low to (5) very high) their own willingness to undertake risky business propositions as compared to other executives at or near their level in their firm (see question 22 under Section III of Appendix 2).

The measures in the previous paragraph relate executives' willingness to take risk and their tolerance for ambiguity to strategic alliances. The assumptions are; (i) that managers, whose companies have alliances, and form many strategic alliances face more uncertain task environments than do managers in charge of companies whose concerns are directly the opposite; (2) that strategic alliance adoption requires greater willingness to take risk and greater tolerance for ambiguity. Managers with such attitudes are also likely to be more optimistic about alliance performance. The single items on comparison meant to assess the level to which the executive think he/she is a risk taker as compared to other executives in his/her company.

For Chi-square analysis, questions 17, 18, 20, 21 and 24 were recoded because some cells had expected counts less than five. Question 17 – age, was recoded (1) 'Less than 50 years' and (2) '50 and above'. Question 18 level of education, was recoded (1) 'Up to High School', (2) 'Tertiary Education' and (3) 'Post Graduate Education'. Question 20 – tenure, was recoded (1) 'Low' [Up to 5 years experience] and (2) 'High' [6 years and above]. Question 21 - experience, was recoded (1) 'Up to Five years', (2) '6 – 8 years' and (3) '9 years and above'. Question 24 – willingness to take risk as compared to other executive, was recorded (1) 'Low', (2) 'Moderate' and (3) 'High'.

5.6.3 Administration and procedures of questionnaire

For the pilot survey, a decision was made to distribute 50 per cent of the questionnaires by post and the other 50 per cent by electronic means (an email written directly to the potential respondent with a site linking to the electronic questionnaire).

Electronic distribution

During the pilot survey, this questionnaire was linked to a private website run by a staff member of the School of Business, University of Ballarat. The questionnaire was done with both WORD and Macromedia Dreamweaver MX for the electronic copy. From the six per cent response for the pilot survey, only two per cent were electronic responses which were distributed by way of emailing. A follow-up was made on both types of distribution three weeks later but there was only one per cent increase on this mode. It was possible that managers were deleting the emails before they read it for fear that it could just be junk email or computer viruses.

The main survey was conducted between May and August 2005. One step taken for the main survey was to remove the questionnaire from a private website to the university one. The argument was that this would give the survey more credibility and legitimacy. The survey was then moved to The Centre for Electronic Commerce and Communications (CECC), a business unit of the School of Business, University of Ballarat. With this strategy, taking into account the fact that potential respondents might perceive emails sent to them as hoax, it was decided that hard copy letters be written to them indicating or directing them to the survey site (see Appendix 6). This letter written by the supervisor, also explained the nature of the research. A further explanation, almost identical to the one provided in the letter formed the introduction of the electronic questionnaire together with the survey instructions. Letters sent to potential respondents were then followed up with an email reminder two weeks later with the website linkage for the electronic survey provided.

Other two subsequent reminders were also done by email. The response rate for the survey from this mode of questionnaire distribution was 32 per cent.

Mailed questionnaires

Mailed questionnaires were accompanied by a covering letter written by the supervisor explaining the nature of the research (see Appendix 7). Included in the mailed questionnaire was a stamped School of Business paid envelope to allow the respondents to return the questionnaire. The first page of the questionnaire contained instructions about how to respond to the questionnaire, and addresses of the researcher in case they misplaced the return envelope. Two follow-ups were made. The last one included a copy of the questionnaire and the return envelope. The response rate for the main survey from this mode of questionnaire distribution was 22 per cent.

General problems

The response rate for both electronic distribution and hard copy questionnaires sent by post was the same. The main problem with these two modes of questionnaire distribution was non delivery to some recipients. Seven hard copy letters were returned while only 76.7 per cent of the emails were delivered. Some letters were returned because the business had changed either address or location, or stopped operations. About 33.3 per cent of the email addresses to which the electronic survey was sent were not operational. Either the addresses "had permanent fatal errors" or the delivery to the recipients "failed". The other category was of those businesses, which have ceased operations or closed down. Therefore, mailed (both electronic and post) questionnaires had the problem that the information used to send the questionnaire might be outdated. Overall, it is insufficient to argue that the response rate was low because the respondents were not interested. For many, it might be because the mail never reached them.

The other problem was that the industry is over-researched. The advantage of the electronic mail was that it gave the respondents the opportunity to respond without necessarily filling the questionnaire. Their responses showed that the industry might be over researched, and given that our target was top executives, the responses also indicate that these people do not have time. Furthermore, the researcher received many auto replies indicating that the recipient was either on leave, business trip, had closed operations and that the potential respondents were overburdened with many research activities. The following are examples of many responses received from people who did not want to participate in the survey.

> Jaloni
>
> Josie is currently on annual leave, she did receive your survey however we receive many of these and respond [only] to direct industry related ones or from VECCI. Please delete us from your database.
>
> ***********
>
> Dear Jaloni
>
> Please stop sending me emails in regards to this, also please take us [out] of your data base for this and any future emails we do not want to take part in any future "research".
>
> ***********
>
> Hi Jaloni,
>
> I would appreciate you removing me from your list. Thanks for your assistance.

5.6.4 Approach to interviews

Semi-structured interviews were conducted in ways designed to capture human lived experiences. Polkinghorne (2005, p. 138) cite the work of Schwandt who argues that "qualitative inquiry deals with human lived experience. It is the life-world as it is lived, felt, undergone, made sense of, and accomplished by human beings that is the object of study." Qualitative methods are constructed to take account of particular characteristics of human experience and to facilitate the investigation of experience.

There is debate over the number of cases that could be said to constitute a large enough sample for qualitative research (Liamputtong & Ezzy, 2005; Perry, 1998). For instance, Hedges (1885) suggests between two and twelve cases while Perry (1998) sets an upper limit of fifty. The decision on the number of cases is left to the researcher (Romano, 1989) who should add cases until theoretical saturation is reached (Perry, 1998) or “to the point of redundancy” (Lincoln & Guba, 1985). The other view held by scholars such as Patton (1990), and Liamputtong and Ezzy (2005) emphasise sufficiency of responses to meet the aims and objectives of enquiry. Patton (1990, p. 184) argues that the sample size depends on “…what you want to find out, why you want to find out, how the findings will be used, and what resources you have for the study.” According to Liamputtong and Ezzy (2005, 49) the answer to appropriate number of cases is simple:

> When the researcher is satisfied that the data are rich enough and cover enough of the dimensions they are interested in, then the sample is large enough. In quantitative methods, required sample sizes can be calculated on the basis of the type of analysis that is anticipated. In qualitative analysis, it is difficult to predict accurately what the sample size will be. The sample is large enough when it can support the desired analysis.

It was impossible to fulfil the dictates of Perry’s (1998), and Lincoln and Guba’s (1985) ambitious approach due to both time and financial resource constraints. Instead, Patton’s (1990), and Liamputtong and Ezzy’s (2005, 49) approach was adopted. Therefore six cases were used which provided sufficient information for this study. According to Patton (1990, p. 185) “…the validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observation/analytical capabilities of the researcher than with sample size.”

Miles and Huberman (1994, p. 25) define a case as “…a phenomenon of some sort occurring in a bounded context” which could be an individual, a small group, an organisation, a community or a nation. Pan (2004) argues that a case is a unit of analysis with a focus on the study and a boundary which defines the edge of the case. In line with Patton (1990) and Pan (2004), this study defines a case as an individual who was interviewed as a representative of an organisation.

Researchers using mixed methods have used different numbers of cases obviously guided by the above reasoning.[34] In their study identifying mixed methods studies published in counselling-related journal articles written in English, Hanson, Creswell, Plano, Petska and Creswell (2005) identified 22 studies which used different numbers of respondents. The significance of their research is that the question of the number of cases for qualitative research is not even an issue among mixed-method researchers. Therefore the number of cases in mixed-method research is as varied as those in purely qualitative research. For instance, in his study of gender differences in career maturity and perceived barriers to career development, Luzzo (1995) implemented data collection concurrently (QUAN and QUAL at the same time) to investigate 401 undergraduate students who participated in the quantitative part of the study, and 128 participated in the qualitative part. Taylor's (2005) study of alliance managers' perceptions of the most significant determinants of strategic alliance success in the software sector was based on 30 interviews and a survey of 143 alliance managers. Data collection was done sequentially (qual and QUAN).

Sampling and sample size of interviews

Polkinghorne (2005) argues that although the term 'sampling' is generally used in quantitative research to refer to the selection of participants and documents, the term must be used with care in qualitative research because it carries the connotation that those chosen are not only a representative of a population but also that the purpose of their selection is to enable findings to be applied to a population, which is not the case with qualitative research. He prefers to call this process 'selection'. Many selection methods have been suggested (Liamputtong & Ezzy, 2005).

This study adopted purposive selection. This is deemed an important qualitative sampling method because the researcher decides which members of the population are most likely to provide the answers to the research questions and then deliberately includes them in the

[34] Mixed methods writers (i.e. Tashakkori & Teddlie, 1998; Creswell, 2003) who identify with pragmatism are silent on the issue of the number of cases for interviews in mixed methods research.

sample. This involves choosing people from which the researcher can substantially learn about the experience (Polkinghorne, 2005).

> Because the focus of qualitative research differs from the focus of statistical research, it requires a set of principles for the selection of data sources. The focus of statistical research is to make claims about a population on the basis of the study of a sample of that population. Thus, it requires a random or representative selection of data sources from a population. The focus of qualitative inquiries is on describing, understanding, and clarifying a human experience. It requires collecting a series of intense, full, and saturated descriptions of the experience under investigation (Polkinghorne, 2005, p. 140).

Shaw (1999) argues that the lengthy and detailed study of data-rich cases involved in purposive sampling has implications for the number of participating cases because purposive sampling "…demands that if the researcher is to develop a comprehensive understanding of the research problem, the number of cases involved must be significantly less than when using probabilistic sampling" (Shaw, 1999, p. 63). In this method, the number of participating cases is not determined in advance of the researcher's entry to the field of investigation but by the research progress and the extent to which additional cases contribute to the understanding of common themes and patterns emerging with a view to understand further the research problem. It became obvious during the interviews that some of the stories told were similar, apart from them being told differently. Qualitative data used in this thesis were rich for a number of reasons:

a. All the executives who participated in the interviews were personally interested in the study outcome.
b. All the interviewees were asked the same questions, what differed were follow-ups to their answers when ever it was deemed necessary for further clarification.
c. Responses did not have serious variations/differences to warrant more interviews. Findings from the interviews were meant to be used to illuminate the quantitative data. That is why no coding of this data was done.
d. The form of analysis employed (narrative analysis) makes it difficult for use when there is large data.

e. Given limited resources for this thesis, it was almost impossible to undertake many interviews, in any case, it would have been a waste of resources if many interviews were held since all dimensions under investigation were fully covered by the six interviews

A question in the quantitative survey requested those respondents interested in participating in a personal interview to provide their addresses for contact. This was deemed an essential step because through responses to this question, the researcher had access to top executives who were not only interested in the subject but also willing to provide relevant descriptions of their experiences. Thirteen respondents indicated their willingness to participate in a personal interview. All of them were men. Seven of them later declined, citing work commitments as the main problem. An example of this is two executives who were based in Sydney. Interviews were arranged on two occasions. When the interviewer phoned to confirm the interviews before leaving Ballarat, their secretaries informed him that they have travelled either overseas or inter-state. One executive based in Sydney even offered that the interview be held in Melbourne where he had gone to attend a business meeting, but later declined on that particular day because of fatigue due to travelling and the meeting he had attended. Only six interviewees finally participated in the interviews. All the six interviewees were interested in the subject and provided rich information. After all, the essence of these interviews was not on 'how much' or 'how often', but they sought to understand the meaning of alliance practice from the perspectives of those who design, and manage them.

The interviews were based on twenty questions which were divided into four themes; alliance types and reasons for alliance formation, strategic alliance performance, choosing alliance partners, and whether alliances were perceived as a risky form of business. The interview questions were piloted with one tour operator to see if they are well understood, and changes were made appropriately. Interviews ranged from 30 to 45 minutes in length. All the interviewees were open in answering the questions, exploring the issues at length. The richness of this data is therefore reflected in the extent to which the twenty questions were explored to the point that the last two interviews were mostly repetitive of what the previous ones have provided. It was helpful that each interview was immediately transcribed. This gave the interviewer the opportunity to make an assessment of the extent to which answers for the questions had been exhausted. All the interviews were tape-recorded and transcribed for textual analysis. Data were then categorised according to the various questions which were asked in the interview and a pattern of function began to emerge.

Interviews were held from October to December 2005. All the participants had responded to the survey. Out of fifteen respondents who showed interest, only six respondents finally agreed and participated in the interview. Most of those who declined cited workload (which involves a lot of travelling) as the main reason for their decision to decline. Four interviews were held at the interviewees' offices all of which were protected from other employees listening to what the interview was all about. The latter two were held at the interviewees' residence. Although one of these interviews was held in the presence of the interviewee's wife and two children, they did not influence the responses. Both were owner-managers of tour companies.

5.7 Mixed-method approach

The methods used in this study, as indicated above, linked well with the philosophy and methodology of pragmatism and an attempt was made as far as possible to take a 'down-to-earth' approach to the study of human group life and human conduct, and to examine directly the empirical social world with a view of meeting most of the basic requirements of an empirical science: "…to confront an empirical world that is available for observation and analysis; to raise abstract problems with regard to that world; to gather necessary data through careful and disciplined examination of that world; and to unearth relations between categories of such data" (Blumer, 1969, p. 48). It is on the basis of this rich insight that the researcher used mixed methods to uncover executives' own meanings and perceptions, and how they are created and sustained through an open direct examination of actual human lived experiences. These accounts were analysed and reported in the following chapter of this study.

5.8 Chapter conclusions

This chapter reviewed research methodologies in tourism and found that although most of the tourism researchers use quantitative methods, tourism's eclectic origins certainly hamper any attempt for philosophical consistency. Responding to calls for more mixed methods research in tourism, the chapter critiqued Downward and Mearman's (2004, p. 119) conclusion that "…clarifying the ontological basis of inferences and yielding a logically consistent triangulation of methods is made possible through embracing a critical-realist perspective." While sharing their concern and acknowledging their framework as a "…coherent and rigorous logical basis upon which triangulation can proceed in tourism and hospitality research" (p. 117), this chapter challenges their view of pragmatism as a 'vague' philosophy that should not be relied upon. Instead, pragmatism is hailed as the foundation of mixed methods, that depending on the nature of research, it can be adopted to yield better outcomes. From this standpoint, Figures 5.1 and 5.2 were developed to illustrate how such a research program is followed.

It was upon this background that a sequential explanatory research process (QUAN-qual) was done. Although it was an ambitious research program to follow, the following chapter on data analysis shows how data collected in the manner discussed above is finally integrated together using qualitative data to further explain quantitative analysis. It cannot be claimed that this program is best nor can it be upheld that the manner in which data was collected fitted like nut and bolt with the theoretical road map in Figure 5.1. There is always a gap between theory and practice. However, in this thesis theory guided practice significantly.

Chapter Six

Data analysis

6.0 Introduction

In this sequential explanatory research process (QUAN-qual), quantitative data was collected and analysed, followed by qualitative data, which was collected to augment quantitative data. This chapter focuses on the analysis of these two sets of data, which was done to provide an empirical understanding of alliance practices in the travel sector.

For quantitative data analysis, both descriptive and inferential statistics were used. Firstly, company and UE characteristics were tabulated and presented to show distribution of the sample firms in different demographic variables. Secondly, the travel sub-sectors (travel agents, tour wholesalers and tour operators) were tabulated against sub-sectors of the three selected sectors of tourism (accommodation, travel and transportation) under investigation to identify the major sub-sectors the travel sector had alliances with. Thirdly, relationships between both company and UE characteristics, and alliance factors (decision of whether to form strategic alliance or not, strategic alliance types, number of strategic alliances a company has, and location - whether the company has domestic or international alliances or both, choice of alliance partners, and alliance performance) were assessed using both Pearson's chi-square[35] and Cramer's V tests[36]. Pearson chi-squire test was preferred because

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[35] Pearson's Chi-squire tests for independence or relatedness of two categorical variables forming a *contingency table*. Field (2005, p. 682) agues that Pearson's chi-square test "…is an extremely elegant statistic based on the simple idea of comparing the frequencies you observe in certain categories to the frequencies you might expect to get in those categories by chance."
[36] The Cramer's V tests is "…a measure of the strength of association between two *categorical variables* used when one of these variables has more than two categories. It is a variant of *phi* used because when one or both

these variables were categorical.[37] The main purpose of this study, as set out in the research objectives and research question, is to determine whether there are any relationships between company and UE characteristics, and alliance formation. Pearson's chi-square test achieves these objectives without relying on assumptions such as having continuous normally distributed data like most of the other tests. Pearson's chi-square's limitation is that it does not say anything about how strong the association between variables might be. Therefore, Field (2005) maintains that Phi and/or Cramer's V could be used because they are measures of the strength of association between categorical variables. However, Phi is used with 2 x 2 contingency tables and Cramer's V is preferable if one of the two categorical variables contains more than two categories, as is the case with data from this research. It is on the basis of this that Cramer's V was conducted in addition to Pearson's chi-square test. Fourthly, one-way analysis of variance (ANOVA) was conducted to assess relationships between company and UE characteristics, and strategic alliance factors (choice of alliance partners, and strategic alliance performance). ANOVA is used to test for significant differences between the means of two or more groups. Levene's test was used to test violation of assumption of homogeneity of variance. Field (2005) suggests that instead of correcting violations of homogeneity of variance by transformation of all the data, Welch's F-ratio[38] can be reported. For this analysis, independent variables (company and UE characteristics) were categorical while dependent variables (choice of alliance partners, and strategic alliance performance) were continuous. This made use of values generated by factor analysis, which will be discussed at length later in this chapter. Fifthly, multiple regression analysis was undertaken to assess relationships between choice of alliance partners' variables, and strategic alliance performance variables. In performing this regression analysis, choice of partners was treated as the independent variable. The importance of multiple regression is that it seeks to predict an outcome from several

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of the categorical variables contain more than two categories *phi* fails to reach its minimum value of 0 (indicating no association)" (Field, 2005, 727).

[37] A categorical variable is any variable made up of any categories of objects/entities (Field, 2005).

[38] Field (2005) argues that in many circumstances data transformation doesn't help at all, therefore suggesting reporting the Welch's F-ratio because of its utility. He suggests the Welch's F-ratio over that Brown_Forsyth F-ratio, unless there is an extreme mean that is also causing the problem with the variances. The Welch's is a version of the F-ratio designed to be accurate when the assumption of homogeneity of variance has been violated.

predictors. Field (2005, p. 144) argues that this is "…an incredibly useful tool because it allows us to go a step beyond the data that we actually possess."

Three different levels of significance are used. These are 0.01, 0.05 and 0.10, although a level of 0.001 was used for multiple regression. Conventionally, if the significance value is small enough (less than 0.05) the null hypothesis is rejected, for instance that the variables are independent and accept the hypothesis that they are in some way related. Recent social science research has accepted the 0.10 level of significance (Papadakis & Barwise, 2002).

For qualitative data, narrative analysis was adopted. Saunders, Lewis and Thornhill (2003) argue that there are many qualitative research traditions with the result that there are also many different strategies to deal with the qualitative data collected. Many of these strategies have been identified in the literature (Saunders et al., 2003; Punch, 2005; Liamputtong & Ezzy, 2005). While qualitative data analysis approaches such as grounded theory (based on segmenting, coding and categorisation) are valuable for data analysis (Punch, 2005), they have been criticised for inappropriately fragmenting data into small pieces. Coffey and Atkinson (1996, 52) argue that:

> Our interview informants may tell us long and complicated accounts and reminiscences. When we chop them into separate coded segments, we are in danger of losing the sense that they are accounts. We lose sight, if we are not careful, of the fact that they are often couched in terms of stories – as narratives – or that they have other formal properties in terms of their discourse structure. Segmenting and coding may be an important, even an indispensable, part of the research process, but it is not the whole story.

More interpretive approaches advocate for researchers to retain the integrity of the data that they collect and begin analysis from the basis of the verbatim transcripts that are produced (Saunders et al., 2003). Narrative analysis has been seen as a method that can help researchers to achieve this (Saunders et al., 2003; Punch, 2005; Liamputtong & Ezzy, 2005; Coffey & Atkinson, 1996). Narrative analysis is defined as "…doing research with first-person accounts of experience" (Riessman, 1993, p. 17) or "…the collection and analysis of qualitative data that preserves the integrity and narrative value of data collected, thereby avoiding their fragmentation" (Saunders et al., 2003, p. 482). Distinguishing narrative analysis from the many other methods used in social research, Liamputtong and Ezzy (2005, p. 125) observe that:

> Narrative analysis is distinguished from other qualitative research methodologies by its attention to the structure of narratives as a whole. Many qualitative methodologies fragment texts, or people, through the process of observation and analysis. Narrative analysis typically works with large units of analysis, such as an interview as a whole or a person's biography as a whole. An emphasis on narrative also allows a researcher to draw on studies of narrative in literary theory. This typically shifts the focus of a qualitative research project further away from positivistic methodologies and closer to hermeneutic or poststructuralist orientation.

Qualitative data for this thesis was based on executives' accounts of their experiences, the ways in which they explained these accounts through their subjective interpretations, and how they related these accounts to constructions of the social world in which they live. Narrative analysis was adopted in order to remain sensitive to interviewees' social construction and meanings (Saunders et al., 2003). While form and content were studied together looking at how interviewees used language to convey particular meanings and experiences (Coffey & Atkinson, 1996; Punch, 2005), descriptions and quotations were mostly used to emphasise arguments. Patton (1990, p. 427-428) observes that "…description and quotation are the essential ingredients of qualitative inquiry. Sufficient description and direct quotations should be included to allow the reader to enter into the situation and thoughts of the people represented in the report." This approach has been used in management research (Gbadamosi, 2005; Taylor, 2005) and tourism (Sørensen, 2003) and is important for this study in the sense that the use of selected interview quotations in mixed methods illuminate (Taylor, 2005) and augment (Hanson et al., 2005; Palmer & Cochran, 1988) quantitative analysis.

For this thesis, executives were asked the same questions. Although some of these questions were developed during the time when the research proposal was written, most of them were changed after preliminary analysis of the quantitative data. The questions therefore reflected the major themes picked during quantitative analysis and were structured and arranged in such a way that they helped the researcher to enquire into different alliance practices. Emphasis was on meanings, which executives gave for strategic alliances as unit of analysis.[39] The premise of this thinking is that executives act towards strategic alliances[40] based on meanings that they give to alliances and that such meanings are derived from (or arise out of) the social interaction that executives have with other executives.[41] Blumer sees meaning as arising from the process of interaction between people. Meanings are seen as a social product formed in and through the defining activities of people as they interact (Blumer, 1966; Blumer, 1969).

In analysing these meanings, data were categorised according to the questions asked during the interviews. Overlaps in answering questions were noted and responses were then placed under what the researcher regarded as the most appropriate question. This allowed the researcher to note the differences in the underlying meanings and see how specific phenomena under investigation were perceived. The intention was not to fragment data through coding but rather to use actual narratives, descriptions and quotations when analysing the data.

[39] Liamputtong and Ezzy (2005) describe a unit of analysis as a tool used by a researcher in scrutinising his/her data log, and this unit may be meanings, practices, encounters, narrative structures, organisations or lifestyles.

[40] Following Herbert Blumer's thinking, strategic alliances could be seen as "objects" which executives interact with. Adhering to George Herbert Mead's thinking quite closely, Blumer brings in the notion of "the nature of objects", that human beings live in a world of "objects" and their activities are formed around "objects." According to Blumer (1969, p. 79), objects are products of interaction and are defined as anything that can be indicated, designated or referred to. "They are human constructs and not self-existing entities with intrinsic nature." Their nature, Blumer (1969, p. 79) observes, "..consist of the meaning that it has for the person for whom it is an object," and such meaning does not only set the way in which he/she sees the object but also the way in which he/she is prepared towards it, "and the way in which he is ready to talk about it." Viewed in the light of the above conception, an object may therefore be seen as having different meanings to different individuals. Therefore, objects are social products, which have been formed and transformed by the defining process that takes place in social interaction. Therefore people act toward an object based on the meaning of the object for them (Blumer, 1966, p. 539).

[41] Blumer (1969, p. 2) argues that "…these meanings are handled in and modified through an interpretative process used by the person in dealing with the things he encounters," and this process has two distinct steps. (a) The actors indicate to themselves the things toward which they are acting, those that have meaning for themselves, and this is an internalised, social process in that the actors are interacting with themselves. (b) Then "the actor selects, checks, suspends, regroups, and transforms the meanings in the light of the situation in which he is placed and the direction of his action." Blumer (1969, p. 5) refers to this process as "self-interaction."

6.1 Demographic characteristics

A random sample of 600 businesses was approached (435 electronic and 165 hard copies) in Australia to complete the survey. Out of 165 hardcopies sent out to potential respondents, seven hardcopies did not reach the desired respondents and they were returned to the researchers. Out of the 435 electronic copies sent out by email, 145 were returned because either the recipient's email address had "permanent fatal errors", the delivery to the recipient "failed", or the business had ceased operations. It is therefore assumed that 444 (290 electronic and 158 hard copies) reached the desired respondents. A total of 127 completed surveys were returned during the four months (May – August 2005) of data collection. Using Dillman's (1978) more direct indicator of a method's response rate calculation, this represents a 28.35 per cent response rate.[42] Out of these, 117 (92 per cent) were found useable for the study. Thirteen respondents did not have strategic alliances. Of the 104 respondents who reported having strategic alliances, 55.8 per cent had a low (1-2) number, 26 per cent had a medium (3-4) number while 18.2 per cent recorded a high (5 and above) number of alliance types. Only 12.6 per cent of the companies, which participated in the survey, had both domestic and international alliances. The majority (50.5 per cent) only had domestic alliances.

Table 6.1 summarises demographic variables of companies, which participated in the survey. As shown in Table 6.1, the majority (75.4 per cent) of the sample firms were small with less than 20 employees while 57.3 per cent were family owned and 72.8 per cent had annual turnover not exceeding A$3M. Respondents did not have similar status. Although 72.5 per cent of the companies participating in the survey were managed by founder members, 68.4 per cent of the respondents were either CEOs/MDs, and 67.3 per cent were

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[42] Dillman (1978) observes that despite the importance given to response rate comparisons, they are very difficult to make because researchers use various methods to compute them. Dillman compares two methods, one where calculation of response rates is determined as the percentage of people in the original sample from whom completed questionnaires are obtained, and the alternative method where the response rate is calculated from as the percentage of contacts with eligible respondents that result in competed interviews or questionnaires. The formula for this latter calculation is:

$$\mathrm{Re}\,sponse\ Rate = (number\ of\ \ returned\sqrt{number\ in\ sample - [noneligible + nonreachable]})\ X\ 100$$

It is this latter formula which is used in this thesis owner managers. Only 14 .4 per cent of the managers of the participating firms had up to 5 years experience while 53.9 per cent had worked for the same company for more than 10 years. The majority of the respondents (53.5 per cent) were below 51 years of age. Table 6.2 reports the demographic characteristics of the six interviewees. All of them were male and only two out of six were executives of non-family businesses. Most of the characteristics of the interviewees were representative of the characteristics of the respondents who participated in the survey, except that no female executives participated. This lack of participation by female executives has been discussed as one of the limitations of the study in the last chapter of this thesis.

Table 6.1: Demographic variable of travel companies – Raw survey data.

Variable of strategic alliances	No	%	Variables of company characteristics	No	%	Variables of Respondents	No	%
Alliances			**Sector**			**Age**		
Yes	104	88.9	Travel agent	43	36.8	Below 30 years	4	3.4
No	13	11.1	Tour wholesaler	24	20.5	31 - 40 years	23	19.8
			Tour operator	50	42.7	41 - 50 years	35	30.2
						51 - 60 years	40	34.5
						Above 61 years	14	12.1
Number of alliances			**Legal Form**			**Education**		
None	13	11.1	Sole proprietorship	39	33.3	Below high school	5	4.3
Low (1-2)	58	49.6	Partnership	24	20.5	High school	36	31.3
Medium (3-4)	27	23.1	Corporation	54	46.2	TAFE	25	21.7
High (5 and above)	19	16.2				Undergraduate	34	29.6
						Post graduate	15	13.0
Alliance with relatives owned			**Employees**			**Experience**		
			Less than 5	50	43.2	Up to 5 years	16	14.4
Yes	2	2.0	Between 5 - 19	37	32.2	6 to 10 years	24	21.6
No	99	98.0	Between 20 - 49	12	10.4	11 to 15 years	22	19.8
			Between 50 - 99	7	6.1	16 to 20 years	18	16.2
			Between 100 - 199	4	3.5	21 years and above	31	27.9
			200 or more	5	4.3			
Location of alliances			**Annual Turnover**	39	34.5	**Tenure**		
Australia	52	50.5	Under $500,000	11	9.7	0-2 years	20	17.5
Abroad	38	36.9	$500,000 - $1M	21	18.6	3 - 5 years	22	19.3
Both	13	12.6	$1000,001 - 3M	6	5.3	6 - 8 years	14	12.3
			$3000,001 - $5M	9	8.0	9 -11	12	10.5
			$5000,001 - 7M	27	23.9	12 and above	46	40.4
			Over $7000,001					
			Category			**Ownership**		
			Family Business	67	57.3	Owner Manager	76	67.3
			Non-family Business	50	42.7	Employed Executive	37	32.7
			CEO as founder			**Gender**		
			Yes	85	72.6	Male	74	64.3
			No	32	27.4	Female	41	35.7
						Position		
						CEO	29	25.4
						Managing Director	49	43.0
						Director	36	31.6
						Risk		
						Very Low	13	12.1
						Low	15	14.0
						Moderate	40	37.4
						High	31	29.0
						very High	8	7.5

Table 6.2: Summary of interview participants[43]

Case	C2	C3	C4	C5	C6	C7
Company characteristics						
Sub-sector	Travel agent	Tour operator	Tour operator	Wholesaler	Wholesaler	Tour operator
Form of Business	Partnership	Partnership	Sole proprietorship	Sole proprietorship	Corporation	Corporation
Employees	5-19	5-19	>5	50-99	5-19	<200
Turnover	<$AU7 M	>$AU500,000.00	>$AU500,000.00	<$AU7 M	$AU5-7M	$AU5-7M
Category	Non-family	Family	Family	Family	Family	Non-family
UE characteristics						
Gender	Male	Male	Male	Male	Male	Male
Age	41-50 years	31-40 Years	61-71 years	31-40 Years	51-60 years	41-50
Education	TAFE	TAFE	High school	Undergraduate	MBA	Undergraduate
Experience	<12 years	<12 years	<12 years	3-5 years	<12 years	<12 years
Tenure	<12 years	<12 years	<12 years	3-5 years	<12 years	<12 years
Position	Travel Manager	CEO	MD	General Manager	CEO	CEO
Ownership	Employed executive	Owner manager	Owner manager	Employed executive	Owner manager	Owner manager
Risk level (see question 24 of appendix 2)	Moderate	Very High	Very High	Low	High	Very High

[43] These characteristics were taken from the questionnaire which the respondents filled during the survey. C1 is missing from this table because he/she was used to pilot the interview questions. Since some questions were changed after the first interview, it was deemed appropriate to remove C1 from the analysis.

6.2 Network of alliances in tourism

A network of strategic alliances exists between travel and other tourism sectors in Australia, particularly those of accommodation and transportation. The survey conducted reveals in Table 6.3 the number of alliance relationships between the three sectors of tourism - accommodation, travel and transportation. These alliances are reported from the perspective of the travel sector. Travel agents reported a high number of alliances with other tourism sub-sectors while tour operators reported the least. Travel agents have higher alliances with hotels, tour operators, tour wholesalers, airlines and cruise (all above 70 per cent). Low-level alliances were reported between transportation and tour operators. More important is the level of partnerships among the travel sub-sectors (travel agents, tour operators and wholesalers) with travel agents reporting more alliances with other sub-sectors than wholesalers and operators.

Table 6.3: Strategic alliances between travel and selected sectors of tourism

SECTORS	**Travel agents**		**Tour wholesalers**		**Tour Operators**		**Total**	
	No	%	No	%	No	%	No	%
Accommodation								
Hotels	34	81.0	16	66.7	20	43.5	70	62.5
Resorts	27	64.3	13	54.2	17	37.0	57	50.9
Motels & Guest Houses	21	50.0	4	19.0	20	44.4	45	41.7
Bed & Breakfast	12	28.6	6	28.6	15	33.3	33	30.7
Self Catering	12	28.6	7	33.3	14	31.1	33	30.6
Travel								
Travel agents	18	42.9	16	76.2	20	44.4	54	50.0
Tour operator	33	78.6	16	76.2	23	51`.1	72	66.7
Tour wholesalers	37	88.1	12	57.1	14	31.1	63	58.3
Transportation								
Airlines	36	85.7	14	66.7	6	13.3	56	51.9
Cruise	36	85.7	8	38.1	4	8.9	48	44.4
Coach or bus	28	66.7	10	47.6	11	24.4	49	45.4
Car Rental services	33	78.6	10	47.6	8	17.8	51	47.2
Taxi	3	7.1	1	4.8	3	6.7	7	6.5

Interviewees were asked, “In your opinion, which sectors do you think your business has most alliances with, i.e. accommodation, travel and/or transportation? Which in particular?

Why?” Comments from the following three executives underline alliance networks between these tourism sectors:

> C2: Which one do we have most alliances with? Probably tour operators first, then accommodation, and then airlines. I guess the main reason we have those products (pointing at the shelf) would be one ‘brand recognition’, that some of them are very well known brands. We have multiple destination brands because it creates a bit of choice for the client because some people may want to book this and others that one. Even though they are all very similar products, there are some price variations in there. And another reason we enter alliances with those products is because we get override benefits. I guess price advantage is another one.
>
> ***********
>
> C4: There is an opportunity there because their offering tends to be more bland. They tend to be offering rooms and in a tourist environment – they may be right for the City of Sydney for business people, but on the Peninsula it’s hopeless. You really need a much broader offering to distinguish yourself from others so if you go ahead and you offer sailing, pampering, accommodation packages your offer looks a lot better to the people who are looking to come down.
>
> Have a look at it. If you are up in the Weston Hotel in Sydney, You are from the US, you wanna go sailing, you ask a few questions and you find the only real place to sail is down here. Is not much you trying to sail in Melbourne, so they gonna get back and there is no public transport, well sort of very slow bus and train public transport, so we need limos to pick them at the hotel, bring them here and take them back.
>
> ***********
>
> C6 All three (travel, accommodation and transport). We have associations with transportation companies i.e. In the field of air travel because without them we can’t transport our customers. We have very good developed strategies and synergies with grand transportation companies, coaches, buses, infrastructure, sort of different components of travel, i.e. public services, special cards, you know, these game cards, this and that, that is very much developed there, then of course accommodation.

Interviewees indicate interaction between travel, accommodation and transport. However, only the travel agent executive (C2) and tour wholesaler executive (C6) reported such linkages with airlines. Executives C4 and C3 did not indicate having alliances with airlines. Apart from these tour operators being small, their strategies are localised, within their immediate geographical location. However, C4 reports his company having alliances with hotels and taxis in the form of limousines. Alliances with accommodation and transport are also a major issue with tour wholesalers. Travel agents could be said to have alliances with accommodation, airlines, tour operators and wholesalers. Reasons for these alliance formations include brand recognition, offering customers choice, enriching product offerings, and making sure that customers receive the best experience. Travel agents reported more alliances with tour operators (78.6 per cent), tour wholesalers (88.1 per cent) and airlines (85.7 per cent), while tour operator generally reported low alliances with all the other sectors as reported in Table 6.3.

Figure 6.1 shows the ranking of strategic alliances according to the perceived best, and the overall percentage of the number of companies reported having such alliances. Marketing and distribution agreements are not only the most popular but also the best, according to industry practitioners, while Equity participating alliances are the least popular.

During the interview, interviewees were asked:

> Interviewer: The most popular alliances from our study so far seem to be Marketing and Distribution Agreements [MDA] (ranked No. 1), Sharing Information and Communication Technology [SICA] (ranked No. 2), Franchising and Licensing Agreements [FLA] (ranked No. 4). How do you react to these figures? Do they surprise you? Why is it that FLA are so popular among travel agents in particular?

Company executives made the following comments regarding some of the most common alliances in the travel sector:

> C2 on FLAs: The importance of the franchise I think is because it comes back to that buying power. If we were an independent agent we have to go individually to each of those producers - tour operators and airlines, to try and negotiate better deals for money, for corporate advertising. Yet when you deal with a franchise group like we are in the XXX, they do a lot of that ground work for you. They go

out and they negotiate all the preferred deals. They have a marketing budget that basically secures resources from its franchise members [and] they pull the marketing budget from all those agencies and we sort of work together cooperatively. So I think that's why the franchise is important. It just gives the small agencies more strength I suppose.

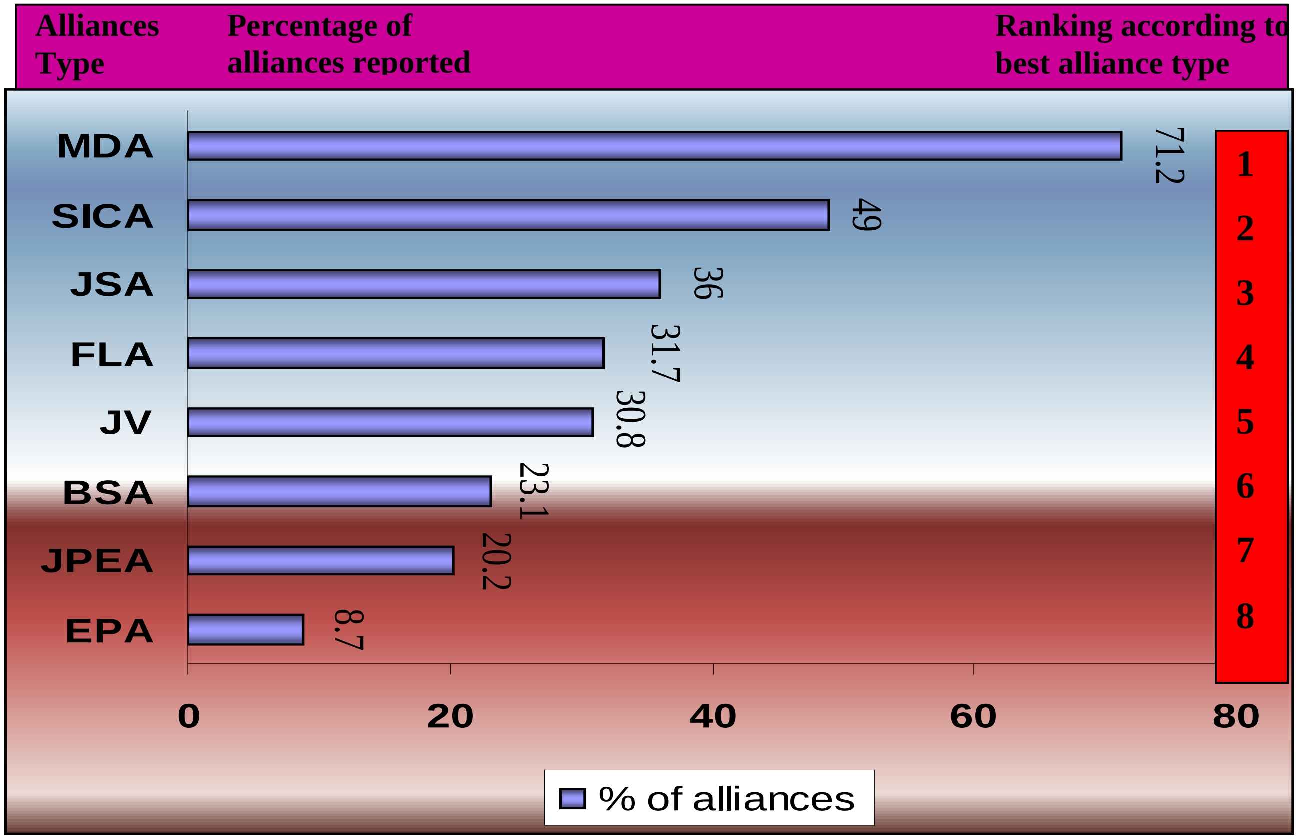
****

C5 on MDAs: [Having MDAs] is probably due to the nature of the product that is being sold. Because there is no physical product to sell, it's a distribution business. Certainly among retail agencies you know, franchising is probably the most viable business model because it gives an opportunity to run their own business with obviously to benefit from the branding and marketing assistance of a more widely recognised corporation. You know quite often JVs will give people or organisations the opportunity to partake in schemes or ventures that is not their core business without necessarily having to resource themselves completely to be able to participate in most opportunities.

****

C7 on MDAs: I guess as for MDA, again it goes back to what we are doing, because we are a tour operator we focus the energies on the operations of the tour. For us, the alliance or partnership or whatever has to be with distributors in order to get people on the tour itself because about a third of our passengers comes to us directly, the other two third from other forms of distribution – wholesaler and traveller agencies, and so forth. Yes, we form those national alliances to get the size of the marketing alliance to get passengers

Figure 6.1: Summary of strategic alliance types



Key

MDA	Marketing and distribution agreements
SICA	Sharing information and communication technology
JSA	Joint selling or distribution agreements
FLA	Franchises and licensing
JV	Joint venture
BSA	Brand sharing
JPEA	Joint purchasing and equipment/office sharing
EPA	Equity participating alliance

Generally executives interviewed agreed that the popularity of MDAs and SICAs is linked to the "nature of the product that is being sold" because they are the most important components of service delivery. Information technology was identified as an important agent for such alliances since it allows alliance partners to be able to access information in their delivery of service to customers. FLAs were identified as important for small travel agencies because it does not only give them the "opportunity to run their business" but also "buying power". Brand recognition and marketing assistance were identified as some of the reasons for entering FLAs. EPAs and JVs were dismissed by executives for being too expensive. The majority of firms in the survey were SMEs, and which could be argued that as they already suffer from inadequate finances, forming either EPAs or JVs would further stretch their limited resources. BSAs were also dismissed because "not any two people can just think alike. There are always significant differences." BSAs are normally formed to enhance corporate image. Such a motive is often difficult to achieve because individually, companies forge to enhance their individual corporate images and these could clash. As C6 argues, "To align ourselves with another corporate image may not necessarily be the right thing to do because within that corporate image on the other side there could be some differences and that can create, in my opinion, confusion rather than any strategic alliances".

6.2.1 Conclusion on network of alliances

As discussed in Chapter Three, tourism companies are embedded in strategic alliances that create networks and Tremblay's (1998) network theory was used to explain the extent of these relationships. This thesis is the first of its kind to consider eight different types of alliances in tourism and found alliance relationships within the travel sector and between the travel sector and those of transport and accommodation. The four most dominant alliances identified in this study were Marketing and distribution agreements, Sharing information and communication technology, Joint selling or distribution agreements, and Franchises and licensing. All these four alliance types deal with marketing, distribution and selling of products. As C5 argues this is "…probably due to the nature of the product that is being sold. Because there is no physical product to sell, it's a distribution business." This explains why past research on strategic alliances in tourism has concentrated on marketing alliances, e.g. Morrison (1994), Palmer and Bejou (1995) and Pan (2004).

6.3 Data reduction through factor analysis

Survey questions 14, 15, 25 and 26 (see Appendix 2) were further prepared for statistical analysis. These questions were made up of latent variables.[44] Data reduction through exploratory factor analysis using Principal Component Analysis (PCA) as the extraction method and varimax rotation with Kaiser normalisation was conducted on four blocks of items in order to identify the most critical factors in each category. This was done on (i) tolerance of ambiguity and risk factors that influence managers when adopting certain strategic alliance practices as shown in Table 6.4. (ii) Choice of alliance partners, shown in Table 6.5. (iii) The same analysis was also conducted on the 14-item scale of firm/company performance versus its performance before joining the strategic alliance (Table 6.6) and (iv) overall satisfaction with the strategic alliance under investigation as shown in Table 6.7.

This was done not only to find out if these different variables are driven by the same underlying variable but also "…to reduce the data set to a more manageable size while retaining as much of the original information as possible" (Field, 2005, p. 619). PCA was done on these four separate data sets because these items were designed to measure different constructs. All components with eigenvalues greater than 1.0 were extracted as indicated in Tables 6.4, 6.5, 6.6 and 6.7. Items with loadings below 0.512 were excluded (Field, 2000). Hence the item "Lending a friend an amount of money equivalent to one month's income at no interest" (factor loading 0.40) under risk factors and "the alliance is based on a strong sense of loyalty to other alliance members" (factor loading 0.46) under choice of alliance members were excluded from the analysis since they had factor loadings below the recommended 0.512.

[44] According to Field (2005, p. 736) latent variables are variables that cannot be directly measured, but are assumed to be related to several variables that can be measured. This is common in the social sciences where researchers often try to measure things that cannot be measured directly. For example, choice of alliance partners is measured by many variables.

Table 6.4 shows that the nine tolerance of ambiguity and risk items were reduced to four themes – Investment risk, Income risk, Adventure and Un-adventure. Table 6.5 shows that for choice of partners, 18 items were reduced to four themes namely Commitment, Trust, Compatibility, and Control. Capability variables were loaded onto Commitment. This did not come as a surprise because there still has to be a willingness to commit whatever capabilities exist. Theoretical arguments as to why it is justified to load capability are further argued in Chapter Seven. In Table 6.6 the 14 performance item scale was reduced to three themes - Overall alliance performance, Operational performance, and Market share and profitability. In Table 6.7, six items measuring overall satisfaction with the strategic alliance were reduced to two themes – General satisfaction, and Technology transfer and development.

Reliability analysis was then conducted on the various sets of items to measure the internal consistency of the items loaded onto each factor. Cronbach's alpha (or reliability coefficient) shows the internal homogeneity among the nine items comprising the four derived factors. In other words, it reveals the extent to which the same set of respondents replied in a consistent manner to similar items (Diamantopoulos & Schlegelmich, 1997). The Cronbach's alpha values for each item are shown in Tables 6.4, 6.5, 6.6, and 6.7. Cronbach's alpha values for most of the components were in excess of the required 0.5 criterion for reliability, which according to Nunally (1978) meets the requirements for basic survey research. Thus, a cut-off value of 0.50 was used to measure reliability and Income Risk in Table 6.4 was excluded from the analysis because its Cronbach's alpha was 0.2284. Investment Risk, Adventure, Un-adventure and Willingness to undertake risky business propositions as compared to other executives (this was a single item as shown in question 24, Appendix 2) formed part of UE characteristics, while Overall alliance performance, Operational performance, Market share & profitability, General satisfaction and Technology transfer and development were used to assess alliance performance and satisfaction.

Exploratory factor analysis generated quantitative values. Tolerances of ambiguity and risk factors from Table 6.4 were recoded into categorical variables. For Adventure and Un-adventure, negative values were coded as 1 = ‘intolerant of ambiguity’, and positive values as 2 = ‘tolerant of ambiguity’. For Investment Risk, negative values were coded as 1 = ‘risk averse’, while positive values were coded as 2 = ‘risk taker’. As for choice of alliance partners and alliance performance themes, quantitative values were used in analysing these themes’ relationships with organisational factors and UE characteristics. Factors for choice of alliance partners and alliance performance and satisfaction were left as quantitative values.

Table 6.4: Results of PCA with Varimax Rotation for tolerance of ambiguity and risk factors (Questions 25 and 26 in the survey, see Appendix 2)

Factors	M	SD	Eigen Value	Cumulative per cent variance	Factor loadings	Cronbach α
Investment Risk			2.368	26.309		.7343
Investing 10% of your annual income in a blue chip stock.	2.68	1.234			.857	
Investing 10% of your annual income in a very speculative stock.	2.07	1.106			.783	
Investing 10% of your annual income in government bonds or treasury bills.	2.17	1.008			.744	
Adventure			1.410	41.973		.6054
The most interesting life is to live under rapidly changing conditions	3.55	0.967			.846	
Adventurous and exploratory people go farther in this world than do systematic and orderly people	3.59	0.929			.760	
Income Risk			1.276	55.744		.2284
Taking a day's income to play the poker -machines at a nearby club.	1.10	0.357			.808	
Taking a job where you get paid exclusively on a commission basis	1.92	1.142			.690	
Un-adventure			1.076	67.701		.8494
When planning a holiday, a person should have a schedule to follow if he/she is really going to enjoy himself/herself	2.77	1.015			.830	
Doing the same thing in the same places for a long period of time makes for a happy life.	3.06	1.106			.731	

Notes: Bartlett's Test of Sphericity - Approx. Chi-Square = 125.461, df = 45, $p < 0.001$; and KMO Measure of Sampling Adequacy = .553. M = Mean; Mean calculated from a minimum of 1 and a maximum of 5.

Table 6.5: Results of PCA with Varimax Rotation for choice of alliance partners (Questions 14 in the survey, see Appendix 2)

ITEMS	M	SD	Factor loadings	Eigen Value	Cumulative per cent variance	Cronbach α
COMMITMENT				8.121	45.114	.9108
Our company is likely to continue with the strategic alliance.	4.14	.752	.691			
This alliance is something our organisation intends to maintain in the future.	3.98	.785	.589			
We selected each other because there were possible synergies perceived in working together.	3.89	.805	.672			
Our company is satisfied with the strategic alliance.	3.84	.790	.723			
We selected each other because we were all very committed to the relationship.	3.71	.999	.653			
The alliance deserves our organisation's maximum effort to maintain.	3.69	.946	.655			
We selected each other because we had complementary assets.	3.63	1.092	.645			
Our partner has a strong sense of loyalty to the alliance.	3.62	1.023	.690			
Our partner is quite willing to make long-term investment in the alliance.	3.47	1.184	.640			
Our partner is willing to dedicate whatever people and resources it takes to make the alliance a success.	3.40	.916	.639			
TRUST				2.109	56.831	.9193
Alliance partners have high integrity.	3.83	.907	.861			
Alliance partners are honest about problems when they arise.	3.64	.933	.868			
Alliance partners do not make false claims or promises.	3.64	.956	.827			
Alliance partners can be counted on to do what is right.	3.56	.942	.588			
CONTROL				1.704	66.295	.9142
We exert informal control over our alliance partners in order to achieve alliance objectives.	2.79	1.148	.907			
We exert formal control over our alliance partners in order to achieve alliance objectives.	2.61	1.142	.887			
CULTURE				1.045	72.100	.6990
We selected each other because we were of an approximately similar size and strength.	2.58	1.217	.659			
We selected each other because our culture was compatible.	3.39	1.232	.626			

Notes: Bartlett's Test of Sphericity - Approx. Chi-Square = 1186.985, df = 153, $p < 0.000$; and KMO Measure of Sampling Adequacy = .878; M = Mean; Mean calculated from a minimum of 1 and a maximum of 5.

Table 6.6: Results of PCA with Varimax Rotation for 14-item scale of firm/company performance versus its performance before joining the strategic alliance (Questions 15 in the survey, see Appendix 2)

	Eigen Value	Cumulative per cent variance	Factor Loadings	Cronbach α
Overall alliance performance	6.736	48.116		.8750
Overall performance			.688	
Value creation			.676	
Customer service			.664	
Reputation			.639	
Marketing			.632	
Distribution			.631	
Operational Performance	1.476	58.656		.8401
Labour productivity			.735	
Quality control			.690	
Cost control			.575	
Accessibility to skills			.574	
Technology development			.536	
Market share & profitability	1.176	67.058		
Market Share			.848	.8803
Sales Level			.835	
Profitability			.570	

Notes: Bartlett's Test of Sphericity – Approx. Chi-Square = 801.206, df = 91, p < 0.000; and KMO Measure of Sampling Adequacy = .834.

Table 6.7: Results of PCA with Varimax Rotation for satisfaction with the strategic alliance (Questions 15 in the survey, see Appendix 2)

	Eigen Value	Cumulative per cent variance	Factor Loadings	Cronbach α
General satisfaction	3.475	57.909		.8749
In general, our partners are satisfied with the strategic alliance overall performance (Partner satisfaction)			.912	
In general, my organisation is satisfied with the strategic alliance overall performance (Firm/company satisfaction)			.901	
We have learned or benefited from our partners' specific skills and competencies (Learning from partner's skills)			.763	
We have experienced an increase in the number of clients since we joined the alliance (Increase of clients)			.565	
Technology transfer and development	1.353	80.461		.8624
The alliance has enabled us to develop new technology processes (Develop new technology)			.955	
We have benefited from technology transfer from our partners (Technology transfer)			.756	

Notes: Bartlett's Test of Sphericity - Approx. Chi-Square = 359.069, df = 15, p < 0.000; and KMO Measure of Sampling Adequacy = .730.

6.4 Strategic motives for alliances in the travel sector

Strategic alliances are an important part of business. Comments from executives narrated below, underscore this fact. In addition to factors identified in the survey, the interviews show that alliances enhance companies' profitability and are an important tool for marketing, promotion and distribution. C5 cautions company executives from 'losing sight' of the importance of alliances because the results could be detrimental to company performance. Three executives' comments on these issues are that:

> C2: Profitability is the main thing. We get better pricing on fares and products. And, which probably be the main thing I'm trying to get at is buying power, is why they would go into an alliance. Increase buying power.
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> ***********
>
> C4: We have tried everything in terms of promotion and promoting our sales, building ourselves through various kinds of promotion and by far the most popular medium is the internet for us because we have a small percentage of the population who are interested in what we do, and we need to get up very wise in order to pick up that small percentage across a wide area of both geographics and psychographics. …The internet will be those relationships, those partnerships, those alliances. Now some of them are already moving quite well but we can see that those ones that are moving well will move much, much stronger. It's gonna be a very key part of their business to offer our service on top of what they do because it makes their offering more rich. You know, instead of just saying "Hoh yes, we can put you up for a night", they can say "we can give you a holiday experience in a short period of time".
>
> ***********
>
> C5: Alliance is an extremely important part of business. And I think the minute that you lose sight of the importance of those relationships and the importance of that goodwill, in a kind of business like us which is a very social business, your business will suffer as a result and I think of course you need to be focused upon the figures and the commercial realities of running a business and the bottom line has to be profitable, but I think I would never want to lose sight of the importance of those relationships and those alliances because I believe they bring an awful great deal of value to the business.

This study has identified a number of motives leading to formation of strategic alliances. These are classified as 'internal organisational' and 'external environmental' drivers. Based on past studies, the survey set out to assess 13 motives, which influence strategic alliance formation as indicated in Appendix 2, question 13. Table 6.8 presents the rank order of the strategic motivations for the strategic alliances based on the mean measure of the importance of the motive. This ranking shows that 'internal drivers' are perceived as more important than 'external drivers'. The first group of motives (those ranked from 1 to 5) are internal drivers. From Table 6.8, the highest ranked strategic motives are concerned with strategic resources necessary for competitiveness. Given that most of these organisations are SMEs employing less than 20 employees (75.4 per cent) suggest that they cannot achieve their individual objectives alone due to scarcity of resources. The first two are intangible resources of *reputation and corporate image* (mean = 3.95) and *strength of personal relationships* (mean = 3.93). Becoming part of a marketing or joint selling and distribution alliance enhances a business' reputation. While such membership is also driven by *strength of personal relationships*, it could be argued that it further strengthens such relationships through good reputation of individual businesses. The major remaining motives for strategic alliance formation are *developing/creating new markets* (mean = 3.55), e*conomies of scale* (mean = 3.41) and *learning from each other* (mean = 3.33).

Table 6.8 also indicates the level to which these items are correlated. Churchill (1979, p. 68) argues that "…if all items in a measure are drawn from the domain of a single construct, responses to those items should be highly intercorrelated." Most of these items are correlated at 99 per cent significance level. The largest correlation between these 13 items is between *learning from each other* and *rapid technological change* (r = .740, p. < .01), followed by the correlation between *general economic uncertainty* and *volatility in the tourism market* (r = .697, p. < .01), and *globalisation of the tourism industry* and *entering new international markets* (r = .612, p. < .01). Significant correlations at (p. < 01) also exist between most of the 13 items. Only *developing/creating new markets* has no significant associations with *learning from each other*, *general economic uncertainty*, and *legal requirements*. *Learning from each other* also has no association with *entering new domestic markets*.

Table 6.8: Descriptive Statistics and Spearman correlation metrics of strategic motivation for alliance formation: Motives ranked by mean measure of importance (Question 13 in the survey, see Appendix 2).

	M	SD	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1. Reputation and corporate image	3.95	1.074	1						
2. Strength of personal relationships	3.93	1.091	.561**	1					
3. Developing/creating new markets	3.55	1.152	.319**	.323**	1				
4. Economies of scale	3.41	1.167	.551**	.302**	.385**	1			
5. Learning from each other	3.33	1.166	.566**	.446**	.117	.322**	1		
6. Rapid technological change.	3.27	1.283	.419**	.342**	.196*	.504**	.740**	1	
7. Volatility in the tourism market	3.25	1.311	.463**	.315**	.237**	.393**	.428**	.454**	1
8. Brand names	3.15	1.339	.556**	.247**	.294**	.557**	.342**	.464**	.417**
9. General economic uncertainty	2.98	1.196	.411**	.284**	.157	.378**	.434**	.536**	.697**
10. Legal requirements	2.89	1.264	.383**	.146	.157	.178*	.461**	.435**	.367**
11. Globalisation of the tourism industry	2.77	1.399	.240**	.061	.261**	.297**	.251**	.356**	.522**
12. Entering new domestic markets	2.62	1.277	.207*	.140	.386**	.185*	.239**	.291**	.279**
13. Entering new international markets	2.61	1.399	.188*	.107	.468**	.350**	.116	.221*	.316**

Notes: †p<0.10; *p<0.05 and **p<0.01; SD = Standard deviation, M = Mean; Mean calculated from a minimum of 1 and a maximum of 5.

Table 6.8 Continued

	M	SD	**8**	**9**	**10**	**11**	**12**	**13**
1. Reputation and corporate image	3.95	1.074						
2. Strength of personal relationships	3.93	1.091						
3. Developing/creating new markets	3.55	1.152						
4. Economies of scale	3.41	1.167						
5. Learning from each other	3.33	1.166						
6. Rapid technological change.	3.27	1.283						
7. Volatility in the tourism market	3.25	1.311						
8. Brand names	3.15	1.339	1					
9. General economic uncertainty	2.98	1.196	.360**	1				
10. Legal requirements	2.89	1.264	.240**	.406**	1			
11. Globalisation of the tourism industry	2.77	1.399	.430**	.309**	.252**	1		
12. Entering new domestic markets	2.62	1.277	.243**	.338**	.267**	.376**	1	
13. Entering new international markets	2.61	1.399	.419**	.221*	.267**	.612**	.449**	1

The results in Table 6.8 show that although strategic alliance motives are ranked differently, there is a strong association between them. The extremely high inter-correlation between these motives indicates that executives evaluate these motives holistically instead of seeing them as individual isolated motives when faced with factors forcing them to form alliances. Companies are not influenced by one factor to form alliances, but by a host of them. For example, a decision to form an alliance because of economies of scale is made because companies are facing general economic uncertainty ($p < 0.01$) and the volatility of the tourism market ($p < 0.01$). Executives perceive that forming alliances will also help in developing/creating new markets ($p < 0.01$), and learning from each other (alliance partners) ($p < 0.01$) in rapidly changing technological environment ($p < 0.01$). At the same time, companies are mindful of reputation and corporate image ($p < 0.01$). As such, they prefer to take advantage of the strength of personal relationships ($p < 0.01$) which is important in the sense that they are forming alliances with companies run by executives whose reputation they already know.

6.4.1 Differences in importance of motives by travel sub-sector

There are slight differences in the motives for entering an alliance based on the travel sub-sector from which a particular business is associated. For Table 6.9, case summaries were produced by using question one as the grouping variable for the 13 strategic alliances motives (see Appendix 2). This split the motives in Table 6.8 by the three travel sub-sectors. The mean scores and standard deviations for each motive by sub-sector are summarised in Table 6.9, showing the differences in alliance formation motives.

Travel agents: Seven per cent of travel agents in the survey have no alliances. The majority of the travel agents (51.2 per cent) have low (1-2) number of alliances and most of these alliances are domestic (52.5%). Top five motives for travel agents forming alliances are *reputation and corporate image* (mean = 3.97), *strength of personal relationships* (mean = 3.80), *rapid technological change* (mean = 3.68), *brand names* (mean = 3.60) and *learning from each other* (mean = 3.55). The two least important moves are *entering new domestic* *markets* (mean = 2.89) and *entering new international markets* (mean = 2.39). Generally, this means that travel agents place less emphasis on entering new markets. Travel agents form alliances to be able to enhance their corporate image, sometimes using a common brand name. Such alliances help them to access technology, which could have been very expensive when bought by a small independent operator. An interview with a travel agent executive confirmed this. He emphasised that joining the alliance has helped his business to access new technology and training for staff, however, his business is not intending (at least in the near future) to expand beyond the State of Victoria.

Tour wholesalers: Top five motives for wholesalers are *strength of personal relationships* (mean = 4.21), *developing/creating new markets* (mean = 4.04), *reputation and corporate image* (mean = 3.92), *economies of scale* (mean = 3.79) and *rapid technological change* (mean = 3.61). The two least important moves are *entering new domestic markets* (mean = 2.45) and *legal requirements* (mean = 2.82). All wholesalers in the survey have alliances, with 62.5 per cent of these alliances being either medium (3-4) number or high (above 5) number. Only 20.8 per cent of wholesale businesses have domestic alliances. The majority of these businesses participated in international alliances (50.0 per cent) or both domestic and international alliances at the same time (29.2 per cent). This is reflected by a low mean on the motive for entering domestic alliances.

Tour operators: Top five alliance motives for tour operators are *reputation and corporate image* (mean = 3.95), *strength of personal relationships* (mean = 3.90) *developing/creating new markets* (mean = 3.55), *economies of scale* (mean = 3.15) and *learning from each other* (3.05). The two least important moves are *globalisation of the tourism industry* (mean = 3.23) and *entering new international markets* (mean = 2.36). This is not surprising given the fact that 20 per cent of tour operators in the survey do not have alliances and 66.7 per cent of those, which have alliances, only have domestic ones. Their scope of operation is mainly local.

It is clear from Table 6.9 that *reputation and corporate image, strength of personal relationships* and *rapid technological change* are perceived as important motives across all sub-sectors. While tour operators and wholesalers ranked *economies of scale* as an important motive, travel agents view *volatility in the tourism market* and *brand names* as important motives warranting them to form alliances. *Globalisation of the tourism industry* is perceived as a major factor by both travel agents (mean = 3.28) and tour wholesalers (mean = 3.08). Tour operators ranked it as the least important factor (mean = 2.23). Tour operators only ranked highly the top five motives in Table 6.9 as the most important motives. This is related to the fact that the majority of tour operators emphasise domestic alliances compared to the other two sub-sectors. Table 6.12 shows that a significant association exists between size (turnover) and international alliances ($p < 0.05$). Most tour operators (85.4 per cent) had annual turnover less than A$1M. This compares sharply with travel agents (36.6 per cent) and tour operators (70.8 per cent) which had annual turnover exceeding A$5M. Therefore most of the external motives i.e. from 6-11 were felt more by medium to large firms which had connections with global markets and partners.

There are also noticeable differences of motives for entering into a particular type of alliance as illustrated in Table 6.10**.** For this table, case summaries were produced by using strategic alliance types in question nine as the grouping variables for the 13 strategic alliances motives (see Appendix 2). This split the motives in Table 6.8 by the eight strategic alliance types. The mean scores and standard deviations for each motive by alliance types are summarised in Table 6.10, showing the influence of motives in forming particular alliance types. For example, *volatility in the tourism market* appears to be a stronger motive for forming JV, EPA, BSA, FLA, MDA and JSA while *legal requirements* is only strong when forming JV, EPA FLA, and SICA. However, the top five motives appear to be relevant to most of strategic alliance types, though their rating slightly differ. *Entering new international markets* is a stronger motive to businesses forming EPAs than all other alliance types.

Table 6.9: Strategic alliance motives by travel sub-sector

	Travel agents					Tour wholesalers					Tour operators				
	Mean	SD	Maxi Mean	Mini Mean	**N**	Mean	SD	Maxi Mean	Mini Mean	**N**	Mean	SD	Maxi Mean	Mini Mean	**N**
1. Reputation and corporate image	3.97	1.03	5	1	40	3.92	1.18	5	1	24	3.95	1.09	5	1	40
2. Strength of personal relationships	3.80	1.20	5	1	40	4.21	0.78	5	3	24	3.90	1.13	5	1	40
3. Developing/creating new markets	3.26	1.19	5	1	39	4.04	0.80	5	2	24	3.55	1.22	5	1	40
4. Economies of scale	3.44	1.02	5	1	39	3.79	1.18	5	1	24	3.15	1.25	5	1	40
5. Learning from each other	3.55	1.09	5	1	40	3.43	0.99	5	1	23	3.05	1.30	5	1	40
6. Rapid technological change	3.68	2.00	5	1	40	3.61	1.12	5	1	23	2.67	1.34	5	1	39
7. Volatility in the tourism market	3.51	1.39	5	1	39	3.58	1.06	5	1	24	2.80	1.17	5	1	40
8. Brand names	3.60	1.17	5	1	40	3.50	1.22	5	1	24	2.46	1.32	5	1	39
9. General economic uncertainty	3.28	1.19	5	1	39	3.08	1.06	5	1	24	2.63	1.21	5	1	40
10. Legal requirements	3.05	1.26	5	1	39	2.82	1.26	5	1	22	2.78	1.29	5	1	40
11. Globalisation of the tourism industry	3.08	1.32	5	1	39	3.22	1.35	5	1	23	2.23	1.35	5	1	40
12. Entering new domestic markets	2.89	1.27	5	1	38	2.45	1.37	5	1	22	2.45	1.22	5	1	40
13. Entering new international markets	2.39	1.31	5	1	38	3.39	1.20	5	1	23	2.36	1.46	5	1	39

Notes: SD = Standard deviation; N = Number of respondents; Mean calculated from a minimum of 1 and a maximum of 5.

Table 6.10: Alliance motives according to strategic alliance type

	JV		EPA		BSA		FLA		MDA		JSA		SICA		JPEA	
	M	SD	M	SD	M	SD	M	SD	M	SD	M	SD	M	SD	M	SD
Reputation and corporate image	4.16	1.036	3.63	1.302	3.87	0.815	4.03	1.121	3.96	0.895	3.58	1.105	3.92	0.977	3.81	1.123
Strength of personal relationships	4.16	1.036	4.00	1.069	3.78	0.951	3.75	1.107	3.90	1.009	3.75	0.996	3.92	0.956	4.00	0.837
Developing/creating new markets	3.74	1.125	3.13	1.356	3.74	1.010	3.61	1.174	3.72	1.051	3.75	1.025	3.39	1.041	3.52	0.981
Economies of scale	3.55	1.150	3.38	1.061	3.83	0.834	3.45	1.121	3.54	1.125	3.39	1.248	3.35	1.180	3.62	1.161
Learning from each other	3.32	1.166	3.38	1.302	3.39	0.941	3.59	1.012	3.28	1.111	2.89	0.963	3.43	1.044	3.38	0.865
Rapid technological change	3.27	1.311	3.63	1.188	3.52	0.994	3.75	1.078	3.29	1.298	3.11	1.323	3.42	1.295	3.62	1.203
Volatility in the tourism market	3.39	1.334	3.13	1.553	3.52	1.201	3.45	1.287	3.46	1.174	3.06	1.264	3.29	1.171	3.38	1.071
Brand names	3.10	1.375	3.38	1.188	3.83	0.778	3.66	1.310	3.25	1.306	3.03	1.207	3.10	1.221	3.40	1.188
General economic uncertainty	2.97	1.329	3.00	1.309	3.22	1.126	3.03	1.197	3.07	1.130	2.81	1.064	3.12	1.107	3.19	.928
Legal requirements	3.13	1.284	3.00	1.414	3.35	1.071	3.06	1.209	2.96	1.245	2.91	1.147	3.02	1.175	3.29	1.271
Globalisation of the tourism industry	2.97	1.494	3.63	1.188	3.35	1.335	3.35	1.226	2.94	1.362	2.71	1.384	3.00	1.327	2.90	1.221
Entering new domestic markets	2.81	1.400	3.25	1.488	2.83	1.267	2.80	1.215	2.77	1.319	2.49	1.147	2.62	1.210	2.76	1.179
Entering new international markets	2.67	1.516	2.57	1.272	3.26	1.287	2.50	1.383	2.84	1.431	2.77	1.330	2.82	1.304	2.81	1.327

Notes: M = Mean; SD = Standard deviation; Mean calculated from a minimum of 1 and a maximum of 5.

Due to limited time, in-depth interviews with executives were based on the first five factors and the last two factors – entering new markets (domestic/international) from the list in Table 6.8. These interviews underscored the importance of alliances in the travel sector given the various drivers that propel companies into forming these relationships. This identified a few important issues: better market share and subsequently, profitability – as the main objectives for alliance formation. Environmental factors (internal and external drivers) can make achievement of these objectives very difficult. Although in a way these interviews confirmed the quantitative data, they also unearthed diverse thoughts and interpretations executives give to these factors. Disagreements were widespread regarding the importance of individual items. For instance, on the one hand we have C2 and C4 who maintain the importance of corporate image:

> C2: Corporate image would be one. Definitely, the association with XXX and how well it is known worldwide and with people having XXX cardholders is a corporate image – would be one of them.
>
> ***********
>
> C4: All quite valid. Yes, precisely. Exactly those reasons.

On the other hand, C6 and C7 do not perceive *reputation and corporate image* as an important factor despite its top ranking in Table 6.8:

> C6: The alliances may be formed – corporate image, I would say I would have great difficulty because it's a situation where we've got a corporate image, we've got an expectation in the marketplace. To align ourselves with another corporate image may not necessarily be the right thing to do because within that corporate image on the other side there could be some differences and that …create in my opinion confusion rather than any strategic alliances.
>
> ***********
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> C7: We didn't really care about their reputation as such because we are labelling ours as AAA product. Obviously, the product has to be involved, but in terms of their public image, or their public reputation, that wasn't particularly important.

Another disagreement was on both *entering new markets* and *developing/creating new markets* in relation to company size. When the following question was put to the interviewees: "Entering new markets (both domestic and international) seem to be the least important motives, would this be associated with the fact that most of your businesses are small?" C2, C3 and C4 said that:

> C2: That would be probably right. This organisation has three offices within Victoria itself. But to be opening up offices inter-state or overseas, no. It would be too costly an undertaking.
>
> ***********
>
> C3: Is [Developing/creating new markets] not relevant to a business as small as ours? Not relevant. You know I can see it as being relevant to a bigger business but for us we are so happy with the level of activity that we have, not interested in going to New Zealand or New South Wales or Egypt or anywhere else.

On the other hand, C6 and C7 said:

> C6: The alliances have got nothing to do with it (size). The alliances are formed to be able to develop a competitive market environment. If those alliances are not there, we cannot deliver the product, we cannot turn around and say to you that we can deliver this product at this particular price, because the contacts are not there. When the contacts are not there, then you are subject to the discretion of the hotelier or the service provider who doesn't know you and so on and so forth, and that's when everything falls apart. So a business is developed on contacts.
>
> ***********
>
> C7: No, not really. We have always had alliances from our initial basis, from our first year. So I don't think size has been a determinant. It has been much more just you know, bringing two companies, you know, if you bring two companies together you are going to get better result. That has always been our thinking, have been far more too philosophical over size based or company based or whatever.

The above statements are from four executives managing companies of different sizes. While small companies (as represented by executives C2 and C3) see size as a factor, medium and large companies (as represented by C7) do not see size as a factor. The fact that a company managed by C2, which is the same size as that of C6, see size as a factor means that other factors could be important to such interpretations. Few distinctions are identifiable. The first being travel sub-sector – C2 being a travel agent while C6 is a wholesaler. Another important distinction points to managerial characteristics – C2's highest qualification is TAFE while C6's is an MBA. Using the UE perspective, this may account for why these two executives perceive organisational size and the drive for internationalisation so differently. The following statements from C6 and C7 further put the issue of creating new markets and internationalisation through strategic alliances an important organisational strategy:

> C6: That (Developing/creating new markets) is possible because jointly, especially by specialising in specific geographic areas, we can pull our resources to be able to develop and also synergies to be able to develop, new markets like combination arrangements where we are very strong in Austria, Switzerland, Germany and Europe points, but we are not as strong on the Mediterranean and Egyptian sort of areas or the African subcontinent. You know, sort of those areas. So what happens is that if you had a product and it is very strong on one side but not that strong on the other, and you can align yourself with a company that is very strong on that and you have cross selling that takes place. OK, and also so you can have ways you can then sell, and the normal circumstances is that you will be only selling in Austria and now you are able to sell Austria with Africa. OK! That's how it works, and that's how you are then developing new markets.
>
> ***********
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> C7: For us in that particular company, creating new markets will certainly be the number one and two aspects of that from **AAA** point of view, we knew that there was a new market for our services by outsourcing our Latin American programs and so that was a key driver but from the flip side, we knew through selling our product to **XXX** in Canada, they could access new markets for our own products, so that was absolutely the biggest driver.

It is clear that organisational size and industry sub-sector are the main determinants for entering new markets through strategic alliances. Although C4 and C7 are both tour operator executives, C7's company employs more than 200 staff with an annual turnover between A$5M-A$7M compared to C4's company which is very small. While small businesses see size as a factor for alliance formation, large businesses do not, mainly because since they have the size, it is no longer an issue to them. While C6 says, "[t]he alliances have got nothing to do with it [size]," C4 argues that entering new markets through alliances "[i]s not relevant to a business as small as ours."

There was general agreement on *strength of personal relationships*, *economies of scale* and l*earning from each other*. One of the main reasons for entering into strategic alliance that was strongly referred to was economies of scale. This becomes an important factor considering the size of most tourism businesses. C3 observed that:

> C3: Well, I see alliances as critical for expanding our business. We are expanding our business in so far as ah! Economies of scale you could call it, where you are wanting to keep your core business some of times. And I have seen alliances as a key to that. And why I saw alliances are a key to that is that if I have got another business that is similar in nature to us, and they would like to see our business being available to them to fill in the void, or under their banner, or in our own right, that doesn't worry me. I don't mind working under someone else's banner if we got to work there. And also I have been asked to offer a whole range of products by another business that has experience in that area. We complement what they are doing. So I would say they (alliances) are critical for sustainability and growth and diversity.

Economies of scale was closely related to "core competencies" of all potential alliance partners which if combined could produce synergy. C3, C6 and C7 argued that:

> C3: You try to pick someone that has a strong personality with people, who could complement what you are doing, who could be an asset to your business.
>
> ***********
>
> C6: It's like synergies, basically you find that companies of the same standard, for example you see another company which very much works like us but specialises in a different geographical area. We sometimes form alliances to incorporate or put in resources to be able to achieve certain objectives, and the distribution aspect is one that can easily be shared because it does not in any particular way interfere with the objectives or the operations of these companies. But actually by just pulling the resources you achieve a better saturation of the marketplace because the travel industry nowadays is in such a way that there a certain market-lockdowns, which means that you cannot willy-nilly send your brochure out and expect each particular agency to display it and sell it. There are certain issues there. So by pulling the resources, if one brochure is accepted then the other has got a back-door entry so to speak. So those are the alliances that are formed, to be able to effectively market products.
>
> ***********
>
> C7: The main reason was a recognition of what it is you actually do, and what it is your potential alliance partner does. Sticking to your core competencies, and so, I guess our core competency is to be a tour operator in Asia particularly, but other

> areas as well, and so, we look for alliance partners that in someway complement our core competencies through their own. Yes, it's matching of competencies [clapping hand to emphasise a point] and not for us trying to be all things to all people. You know, we have to realise that we are really good at some things and not so good with other things or, you know, we have to scale in different area or whatever.

The travel sector as a "personality driven," "lifestyle" or "social" business reverberated throughout the interviews, with the impressions of pride and commitment that goes beyond the search for profits into the area of excellence. This largely embodies the approach to which alliances in the travel sector are formed and managed. Only C2, a franchise travel agent executive, said *strength of personal relationships* was not a factor in determining alliance partners. "Friendship" with alliance partners was echoed from C4's statement; "In fact, unless you are alliance partners you are not friends. I have friends in all our alliance partners. We had really have no time for anyone else. We have no time for friends who are just friends," to C3's statement about the initial formation of alliances:

> C3: The reason for that …it's quite a social lifestyle type of business, so good friendships are often formed. I mean at times conventional but good friendships are formed, and out of those friendships opportunities to share ideas and then to sort of understand that if you share costs with the ideas, there is gonna be again, opportunities of scale, would be the factors for it. Ah, but why operators in this area? It's not unusual for us to meet once or twice a year, and have a meal together and chat about things, and try some ideas up. (But) there is a lot of competitiveness there as well, but there are obvious things that we can do together.

Apart from the thirteen reasons investigated for alliance formation, C5's statement embodies the significance of friendship in alliance management. He revealed that:

> C5: The strength of that relationship will determine how well your customers are looked after as opposed to maybe somebody else's customers. Strength of that relationship will give key people in organisations the opportunity to pick up the phone and say "I need some help. I have got some customers who are stranded in a particular destination, their flight was cancelled. Can you look after them?" Those relationships will buy time and patience and goodwill if for some reason we have to alter somebody's travel arrangements. Those relationships are extremely

> important because it's hard to quantify their commercial value but if you don't have strong relationships with people, doors generally don't open for you.

The significance of these interviews is that they unearth differences of interpretations and emphasis on alliance motives which the quantitative data failed to show.

6.4.2 Conclusion on the motives for alliance formation

This section seeks to answer the first sub-question set out in Chapter One, *"what are the major motives for strategic alliance formation?"* The conclusion drawn from this analysis is that no single study can capture all the motives for alliance formation. In addition, motives are emphasised differently depending upon the sector, and to a certain extent, upon the type of alliance entered into. However, *reputation and corporate image, strength of personal relationships, developing/creating new markets, economies of scale* and *learning from each other* remain the most important drivers identified by this study. The importance of these motives has not only been identified through the ranking of their means, but has also been echoed by almost all the executives who participated in the interview. It is apparent that *strength of personal relationships* has featured more prominently in the travel sector where emphasis is on a "personality" or "friends" driven industry. This factor remains under-researched as compared to the other factors which have been dealt with in previous studies (Glaister & Buckley, 1996; Whipple & Gentry, 2000). Further research is necessary to find out how this factor drives and influences alliance formation, choice of partners and alliance management.

6.5 Strategic alliance decisions and alliance types

This section tests whether there are any significant associations between the decisions to form strategic alliances, alliance types, number of alliances, and the geographical locations of these alliances; with company and UE characteristics. Past research has demonstrated existence of significant relationships between strategy and UE characteristics (Hambrick & Mason, 1984; Tyler & Steensma, 1998) and organisational factors (Temtime and Pansiri (2005). This Thesis goes beyond previous studies by arguing that strategic alliances are a form of organisational strategy and there exists different forms of strategic alliances, which could be linked to both company and UE characteristics. To undertake this analysis, information from question nine was cross-tabulated with company characteristics in section I and UE characteristics in Section III of Appendix 2. *Strategic alliance decision* was based on whether or not the respondent has indicated having any alliance type, and *number of alliances* was an addition of all the alliance types the respondent has indicated. *Domestic alliances* and *international alliances* variables were based on information gathered from respondents by asking them to indicate whether the alliance types their organisations have were in Australia or abroad. The last variable, *both domestic and international alliances* was from whether the respondent has indicated alliances as in Australia and abroad, or otherwise. All these variables were constructed from question 9 of Appendix 2. These variables were all categorical; 1 = yes, 2 = no. These variables were cross-tabulated with company and UE characteristics to create Table 6.11. Cross-tabulating company and UE characteristics created Table 6.12 from the eight alliance types in question 9 (Appendix 2). Tables 6.11 and 6.12 report the Pearson chi-square and its associated degrees of freedom and Cramer’s V statistic in relation to the survey results.

Company characteristics*:* As can be shown in Table 6.11, company characteristics, which best explain the adoption of strategic alliances are sub-sector ($p < 0.05$) and turnover ($p < 0.01$). Table 6.11 shows that significant associations exist between number of alliances and employees, and turnover ($p < 0.01$), sub-sector, and category ($p < 0.05$). Domestic alliances are significantly associated with number of employees ($p < 0.01$), turnover and category ($p < 0.05$). Similarly there exists a significant relationship between the decision to form international alliances and sub-sector, and number of employees ($p < 0.05$), and turnover ($p < 0.01$). A business’s participation in both domestic and international alliances is significantly associated with sub-sector, category ($p < 0.05$), number of employees, and turnover ($p < 0.01$).

Table 6.12 shows associations between company characteristics and strategic alliance types. The study found significant association between sub-sector and FLA, JSA ($p < 0.01$), BSA, MDA and JPEA ($p <0.05$), number of employees and BSA, MDA, JPEA ($p < 0.01$), EPA, SICA ($p < 0.05$), JV and JSA ($p < 0.10$). Turnover has significant association with BSA and FLA ($p < 0.01$), and JV ($p < 0.10$). Category of business is also significantly associated with JV, EPA, BSA, MDA ($p < 0.05$), and JPEA ($p < 0.01$). No significant associations were found to exist between legal form of business and any strategic alliance type.

UE characteristics*:* As shown in Table 6.11, UE characteristics, which best explain the adoption of strategic alliances are experience, adventure and investment risk. Number of alliances an organisation has is significantly association with ownership ($p < 0.01$), and adventure ($p < 0.05$). Participation in domestic alliances is significantly associated with ownership, and willingness to take risk ($p < 0.10$). Similarly, there exists a significant relation between forming international alliances and ownership ($p < 0.01$). No significant associations were found to exist between UE characteristics and businesses participating in both domestic and international alliances

Table 6.12 also shows that most of the UE characteristics are not significantly associated with strategic alliance types. The exceptions are age, willingness to take risk and ownership. Age of top managers is closely associated with JPEA ($p < 0.05$) and willingness to take risk is significantly associated with EPA, BSA and MDA ($p < 0.05$). Ownership is significantly associated with most of the strategic alliance types, namely BSA, JSA, JPEA ($p < 0.01$), MDA ($p < 0.05$), JV and SICA ($p < 0.10$).

Table 6.11: Relationships between strategic alliance decisions, and company and UE characteristics

	Strategic alliance decision				Number of alliance types				Domestic alliances			
Company characteristics	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V
Sub-Sector	117	2	7.74*	0.26	117	6	15.28*	0.36	104	4	4.93	0.22
Legal form	117	2	3.21	0.17	117	6	8.01	0.18	104	4	5.01	0.16
Employees	115	2	3.96	0.19	115	6	24.85**	0.33	102	4	13.82**	0.26
Turnover	113	2	15.36**	0.37	113	6	26.10**	0.34	102	4	12.73*	0.25
Category	117	1	2.31	0.14	117	3	9.71*	0.29	104	2	8.15*	0.28
UE characteristics												
Age	116	1	0.17	0.03	116	3	0.36	0.06	104	2	0.17	0.04
Education	115	2	0.51	0.07	115	6	4.67	0.14	103	4	2.97	0.12
Experience	111	2	6.42*	0.24	111	6	9.25	0.20	97	4	3.80	0.14
Tenure	114	1	2.35	0.14	114	3	4.24	0.19	102	2	1.00	0.10
Ownership	113	1	0.37	0.06	113	3	12.33**	0.33	101	2	4.92†	0.22
Risk willingness	107	2	3.24	0.17	107	6	9.03	0.21	99	4	8.27†	0.20
Investment Risk	109	1	3.31†	0.17	109	3	6.45†	0.24	98	2	0.62	0.08
Adventure	109	1	5.40*	0.22	109	3	7.75*	0.27	98	2	3.52	0.19
Un-adventure	109	1	0.37	0.06	109	3	0.48	0.07	98	2	0.40	0.06

Table 6.11 continued

	International alliances				Both domestic and international alliances			
Company characteristics	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V
Sub-Sector	104	4	13.90**	0.37	104	2	8.381*	0.28
Legal form	104	4	0.57	0.52	104	2	1.93	0.14
Employees	102	4	12.73*	0.25	102	2	18.53**	0.43
Turnover	102	4	10.16*	0.22	103	2	11.55**	0.34
Category	104	2	4.15	0.20	104	1	3.76*	0.190
UE characteristics								
Age	104	2	3.27	0.18	104	1	0.00	0.00
Education	103	4	1.70	0.09	103	1	0.93	0.10
Experience	101	4	7.60	0.19	101	2	1.15	0.11
Tenure	102	2	2.64	0.16	103	1	1.41	0.12
Ownership	101	2	15.19**	0.39	102	1	1.70	0.13
Risk willingness	99	4	5.98	0.17	99	2	0.86	0.09
Investment Risk	98	2	3.50	0.19	99	1	0.08	0.03
Adventure	98	2	2.09	0.15	99	1	0.00	0.00
Un-adventure	98	2	0.09	0.03	99	1	0.04	0.02

Notes: df = Degree of freedom; †p<0.10; *p<0.05 and **p<0.01

Table 6.12: Relationships between strategic alliance types, and company and UE characteristics

Company characteristics			**JV**				**EPA**				**BSA**				**FLA**	
	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V
Sub-Sector	104	2	1.04	0.10	104	2	0.162	0.04	104	2	6.36*	0.25	104	2	17.33**	0.41
Legal form	104	2	2.03	0.14	104	2	2.04	0.14	104	2	0.54	0.07	104	2	3.60	0.19
Employees	102	2	2.68†	0.16	102	2	7.03*	0.26	102	2	19.60**	0.44	102	2	1.98	0.14
Turnover	102	2	5.26†	0.23	102	2	3.22	0.18	102	2	12.61**	0.35	102	2	13.38**	0.36
Category	104	1	2.28*	0.15	104	1	4.54*	0.20	104	1	5.81*	0.24	104	1	0.78	0.09
UE characteristics																
Age	104	1	1.76	0.13	104	1	0.28	0.16	104	1	1.16	0.11	104	1	0.05	0.02
Education	103	2	1.93	0.14	104	2	2.56	0.16	104	2	2.00	0.14	104	2	0.87	0.09
Experience	101	2	4.30	0.21	9101	2	0.82	0.09	101	2	3.00	0.17	101	2	1.62	0.13
Tenure	102	1	0.66	0.08	102	1	1.11	0.10	102	1	0.58	0.08	102	1	0.46	0.07
Ownership	101	1	3.23†	0.18	101	1	1.04	0.10	101	1	11.32**	0.34	101	1	0.07	0.03
Risk willingness	99	2	1.79	0.14	99	2	8.51*	0.29	99	2	6.08*	0.25	99	2	1.94	0.14
Investment Risk	98	1	1.95	0.14	98	1	0.45	0.07	98	1	1.68	0.13	98	1	0.37	0.06
Adventure	98	1	0.04	0.02	98	1	1.90	0.14	98	1	0.84	0.09	98	1	0.00	0.00
Un-adventure	98	1	0.42	0.07	98	1	0.00	0.00	98	1	0.84	0.09	98	1	0.22	0.05
Company Characteristics			**MDA**				**JSA**				**SICA**				**JPEA**	
	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V	No	df	χ^2	Cramers V
Sub-Sector	104	2	6.64*	0.25	104	2	15.05**	0.38	104	2	4.33	0.20	104	2	6.11*	0.24
Legal form	104	2	0.17	0.04	104	2	2.18	0.15	104	2	2.05	0.14	104	2	1.09	0.10
Employees	102	2	11.73**	0.34	102	2	5.30†	0.29	102	2	6.82*	0.26	102	2	11.89**	0.34
Turnover	102	2	3.84	0.19	102	2	2.22	0.15	102	2	4.00	0.20	102	2	4.16	0.20
Category	104	1	3.93*	0.19	104	1	1.28	0.11	104	1	1.35	0.11	104	1	7.31**	0.27
UE Characteristics																
Age	104	1	0.65	0.08	104	1	0.66	0.08	104	1	0.00	0.00	104	1	3.6.3*	0.19
Education	104	2	1.53	0.12	104	2	2.41	0.15	104	2	0.29	0.05	104	2	3.14	0.18
Experience	101	2	1.67	0.11	101	2	2.35	0.15	101	2	1.57	0.13	101	2	1.35	0.12
Tenure	102	1	2.81	0.17	102	1	2.72	0.16	102	1	1.98	0.14	102	1	0.78	0.09
Ownership	101	1	4.91*	0.22	101	1	9.15**	0.30	101	1	3.08†	0.18	101	1	9.46**	0.31
Risk willingness	99	2	6.66*	0.26	99	2	1.93	0.14	99	2	0.04	0.02	99	2	2.84	0.17
Investment Risk	98	1	1.68	0.13	98	1	1.39	0.12	98	1	1.43	0.12	98	1	0.15	0.04
Adventure	98	1	0.16	0.04	98	1	1.60	0.08	98	1	1.96	0.14	98	1	0.00	0.00
Un-adventure	98	1	0.73	0.09	98	1	0.00	0.00	98	1	0.03	0.02	98	1	0.26	0.05

Notes: df = Degree of freedom; †$p<0.10$; *$p<0.05$ and **$p<0.01$

6.5.1 Conclusion on strategic alliance decisions and alliance types

As discussed earlier, research on strategic alliances has neglected the role played by top managers' characteristics and to a certain extent, company characteristics. This section links strategic alliances to company and UE characteristics, an area that is both theoretically and empirically underdeveloped. In doing so, this section sought to answer sub-question (b) in Chapter One, "*what are the relationships between company and executive characteristics, and alliance decisions & alliance type selection?*" This investigation found that company characteristics are more influential in both strategic alliance decisions and the types of alliances adopted than do UE characteristics. The findings link strategic alliance decisions and strategic alliance types more with company characteristics than UE characteristics. The most important company characteristics which influence strategic alliance decisions (decision to form alliances, number of alliances and their geographic spread) are company size (as defined by both the number of employees and annual turnover). For instance, 81.3 per cent of the companies employing more than 50 employees had medium (3-4) to high (5 and above) number of alliances while small companies employing less than five employees had less number of alliances. Of the total companies, which did not have alliances, 69.2 per cent of them were small companies. Turnover was significantly associated with all alliance variables in Table 6.11, suggesting that when companies make decisions i.e. to form/participate in strategic alliances, they are largely influenced by the availability of financial resources. For instance, all companies which reported not having alliances had annual turnover below $1M, while all companies which reported having alliances had annual turnover above $1M. The larger the company, the more likely it participated in many strategic alliances, and the more likely it participated in both domestic and international strategic alliances.

Another important company characteristics variable is sub-sector. This study found that more travel agents (93 per cent) and wholesalers (100 per cent) had alliances as compared to tour operators (80 per cent). More wholesalers (62.5 per cent) had medium and high number of alliances as compared to travel agents (31.3 per cent) and tour operators (26 per cent), and 41.7 per cent of wholesalers had medium and high number of international alliances as opposed to travel agents (12.5 per cent) and tour operators (7.5 per cent).

Most UE characteristics were not significantly associated with alliance decisions. However, the decision to form alliances is closely associated with experience, investment risk and adventure. For instance, the more experienced the executive is, the more likely his/her company works with strategic alliances. The results show that 98 per cent of companies managed by executives with more than 16 years of experience had alliances as compared to 82 per cent of those managed by executives with less than 10 years of experience. The more adventurous the executives are the more likely their companies would participate in alliances. The majority of companies managed by executives who tolerate ambiguity (96 per cent) had alliances as compared to 81.8 per cent of the companies, which did not have alliances, which were managed by executives who are intolerant of ambiguity.

The other UE characteristic, which had significant associations with alliance decisions, is ownership. For instance, companies run by owner-managers had fewer alliances than those operated by employed executives did. For instance, only 30.3 per cent of the companies managed by owner-managers had medium and high alliances while 56.7 per cent of those operated by employed executives had medium and high alliances. This is closely associated with whether a company is family-owned or not. More non-family owned companies had alliances and most of them were involved in both domestic and international alliances as compared to family owned.

Results of strategic alliance types reflect the same trend where most alliance types are associated with company characteristics than with UE characteristics. The only UE characteristics, which are significantly associated with some of the alliance types, are age, willingness to take risk and ownership. Ownership is the main determining factor since it is significantly associated with six of the eight alliance types. For instance, companies managed by their owners had less JVs (23.9 per cent) compared to 43.2 per cent of those managed by employed executives. Although MDAs are the most popular form of alliances, only 64.2 per cent of companies managed by their owners have this type of alliance as compared to 85 per cent of those managed by employed executives. In all the alliance types where there are significant associations between the alliance type and ownership, more companies managed by employed executives have more alliances compared to those companies managed by their owners. Thus, the evidence in this study shows that UE characteristics shape executive attitudes, but company characteristics determine the way alliances are structured.

6.6 Choice of strategic alliance partners

Past research has linked success of strategic alliances to choice of the right partner (Holtbrügge, 2004). The emphasis on choosing the right partner suggests that social relationships play an important role in the control and coordination of strategic alliances (Jordan & Lowe, 2004). Geringer (1991) argues that the importance of partner selection is that it influences the overall mix of available skills and resources, the operating policies and procedures, and the short- and long-term viability of an alliance. Because of this, it is therefore critical for prospective alliance partners to understand the process of partner selection and the variables which influence that process.

Developing from past research, this study addresses five critical areas of partner selection; compatibility (Shamdasani & Seth, 1995); capability (Faulkner, 1995); commitment (Moore & Cunningham III, 1999); trust (Morgan & Hunt, 1994; Moore & Cunningham III, 1999) and control (Parkhe, 1993b; Gulati, 1995a; Medina-Muñoz et al., 2003). Table 6.5 shows how the choice of partners 18 items were reduced to four themes using factor analysis, namely: commitment, trust, compatibility, and control. Interviewees were then asked how they identified their would-be business partners, and how important these four themes were in their final decisions to form those alliances. What emerged was an intricate development of relationships between companies, which fit the equivalence of human love relationships. After all, companies do not cooperate or compete, but human beings who are members of companies do (Zineldin, 2002). Like a man or woman who takes a journey to find a dream partner, so too do companies.

Respondents voiced strong support for a description of the evolution of strategic alliances as a relation between people like a love affair with a commitment which is ideally based on shared interests, mutual trustworthiness, and commitment to continue the relationship (Zineldin, 2002). “Like romance, alliances are built on hopes and dreams – what might happen if certain opportunities are pursued” (Kanter, 1994, p. 99). Many scholars have compared organisational relationship process and survival to that of marriage (Kanter, 1994; Zineldin, 2002; 2004; Zineldin & Bredenlöw, 2003; Zineldin & Dodourova, 2005). Kanter (1994, p. 98) says: “relationships between companies begin, grow and develop – or fail – in ways similar to relationships between people”. Respondents indicated that they identify potential alliance partners, and approach them with a view to having a business relationship. For instance, C4 maintains that:

> C4: Nothing happens by chance in that area. We know people that we gonna be doing business with in six months or twelve months in a big way that don’t even know we exist. We know who the people are who fit our profile. They aren’t too many you know – professional, customer focused and fun to be with. …I really can’t distinguish; you will have to tick every one of those boxes (of choice of alliance partners). They are all sort of end-gate. You know, everyone has to be right or there is no partnership.

The choice of alliance partners is based on criteria, which varies from company to company, usually on both the company’s values and the development of friendship between companies’ executives. Executives observe that:

> C4: There are a thousand operators in the Peninsula, from those there are about a hundred who are actually business people, so we only want to deal with professionals and we will only deal with people who we really like to spend time with, no matter what their economic motivation is, it does not count. …They have to be professionals and customer focused, and good fun to be with. These are our criteria.

****

> C6: Let’s put it this way, the business model that we work with is based on certain principles and these principles are honesty, good communication and openness.

> We have to be open. Once that happens because a certain level of trust has to develop for companies to be able to form good strategic alliances. You find a partner who is equally honest, upfront with what they got in hand, communicates efficiently in terms of interpreting what has happened, and so on and so forth, then you can therefore form certain alliances so that you can open your cards and say "ok, we have got a situation here, what are your thoughts" and they come back and say "look we think this has happened" …based on that criteria, it's very difficult to find companies who will open up or are prepared to open up as much as we are to form that strategic alliance. Ok, you will find them up to a certain level but they can be also significantly different.

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> C7: Unless you have a fairly good matching of those sort of values[45] for our organisation, never got to match well with or work that well with another organisation. It's a very big advantage to have matching values yes.

The above quotes indicate that in choosing partners, companies follow different criteria. These include 'professionalism' not only in handling inter-company relationships but also in dealing with customers – that partners must be customer focused. Some of the principles include good communication, openness, and honesty, passion in serving customers, creativity and innovation. These principles are central in forming alliances and are seen as 'end gates' to trust and commitment. However, this study does not explore all the factors that lead to good choice of partners. It is limited to the four themes identified during the quantitative analysis phase of the study, namely commitment, trust, control and compatibility. Interviews on choice of partner centred on these four. Therefore, interviewees were asked, "If you were to rank commitment, trust, cultural compatibility and control of alliance partners, which would you say were the most important factors you look for when deciding on an alliance partner? Why?"

> C2: Probably from the perspective of the alliance, I would rank commitment, I would expect trust – I would rank them in that order actually (pointing at how I have ranked them).

****

[45] Before going for the interview, I had accessed the company's website to see what information they had regarding both their operations and partnerships. In the website they had listed the following as their core purpose and core values: "We act with integrity; We are passionate about what we do; We encourage personal; growth; We have fun; We are creative and innovative".

C4: I really can't distinguish. You will have to tick every one of those boxes. They are all sort of end-gate. You know, everyone has to be right or there is no partnership. We wouldn't do business with anyone that wouldn't control partnership situation where say, they partner with us and then they partner with two other yachteries. They wouldn't have control of their franchise, of their relationship, of their alliance or partnership. So that couldn't work if they are not fun to be with – they got no cultural compatibility. We wouldn't be in there. We wouldn't do business with them. There is no way. There is plenty there we can afford if all those four criteria being met. So there is no ranking. They are all essential.

****

C5: Cultural similarity is probably the least because we have partners all over the globe. That's not really an issue. I think trust is committed over a period of time, so it wouldn't be something that you could say is a pre-requisite because you don't know. You have to make a judgement based on what is available to you that trust is gonna be one of the things that you gonna get as a result of the partnership. I think that a lot of partnerships are made on the basis of probably a dual assessment on compatibility and quality of what's on offer. There has to be something tangible there, there has to be a product that can be sold at a competitive price, and support the client and that sort of things. There has to be a quality proposed, a quality offering and a willingness, and a kind of a connection if you like.

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C6: To me is commitment because if you are not committed, forget it. Trust is number two, but commitment comes with trust because if they are committed and they want us to present their products and services here then that's the most important thing and they have to be committed because when we form an alliance with a particular company, like, I will just give you an example, we are developing a program in Hungary, ok, we have been looking for at least 18 months now to find a partner there, the term partner is used loosely referring to a partnership but a cooperative form of an alliance, and now we have found that person and you can immediately see that nurturing …which is the person point of communication, is what is missing from that first level of understanding. If the follow-up doesn't carry based on promises made at that meeting and you will find that 80% of the time that will not work. …A typical example is the American culture. You go to America, you make a deal. Great. They are very much behind the deal, you leave the door, four minutes later you ring them back, they have difficulty in remembering your name. Ok! That doesn't work. That's exactly the situation we

> are talking about and that's where it separates the true business people – the people who can develop business strategies with alliances which can hold. Bang, bang, off you go, "yee man no problems we will do it". And in the past 26 years I have seen a heck of a lot.
>
> ***********
>
> C7: Control will be the least. We don't aim to control them, let alone to control us. Trust is very high, commitment is very high. They are almost the same thing trust and commitment. Cultural compatibility is probably lower. I think trust and commitment are the top two.

The importance of commitment, trust, compatibility and control varies depending on managerial perceptions. While others say that these themes are equally important (C4), others think that there is a variation between the themes. C2 suggest that these themes be ranked in order of importance as commitment, trust, compatibility and control. C5 and C6 offer a much broader understanding of these issues. For a wholesaler such as that represented by C5, emphasis is on "compatibility and quality of what is on offer (product)". The idea is that commitment and trust cannot be determined at the initial stages of partners' selection but is developed over time. However, for tour operators with international alliances such as that represented by C6, commitment is the foundation of partners selection, and it should not be seen as independent from trust because commitment has to be based on trust, that a partner would deliver what he/she said he/she would deliver. These themes are assessed during the pre-alliance agreement discussions. Executives develop their opinions regarding a potential alliance partner based on the perceived commitment, compatibility and trust of the company during the planning stage. Out of six executives, five said that commitment and trust are the most important factors while control is the least. This does not mean that control is not an essential element of partner selection. It is covered by commitment and trust, which are determinants of continued partnership. One executive sees them as equally important.

Commitment: Table 6.5 also presents order of the means and standard deviations of all variables measuring choice of alliance partners, subdivided into the four categories discussed above. This table indicates that when forming alliances, businesses are more concerned about continuity of the alliance (mean = 4.14) and see the alliance as something to be maintained in the future (mean = 3.98). This means that commitment to the alliance by both parties (mean = 3.71) becomes something of great importance in partner selection. The other important factors in partner selection is possible synergies perceived in working together (mean = 3.89) and complementarity of assets (mean = 3.63). For businesses to select partners, they should have been convinced that the above factors would be achieved. To do so, they should be convinced that the partner would be loyal to the relationship (mean = 3.62) by showing willingness to make long-term investment in the alliance (mean = 3.47) and to dedicate whatever resources it has to make the alliance a success (mean = 3.40). Executives observed that:

> C2: If I'm going to deal with an alliance partner, I want them to be committed to looking after me – provide good service, I need commitment from them to do that.
>
> C2: I know that preferred products like XXX definitely look for commitment in supporting their products. If they are going to give us some sale prices benefit in product, they would definitely want commitment to be at the top of the list.
>
> ***********
>
> C3 Then if I could rank them, commitment, an obvious one because you need them to put as much effort into the alliance as you do. [but] …Their commitment to the alliance might be a small part of their business compared to your business, like its more important for that alliance to work from your side than it is for their side, so you need to weigh up the effort and reward so to speak.
>
> ***********
>
> C6: If you are not committed, forget it.

Commitment is the basis for partner selection and there is an expectation that the other partner is equally looking for the same. While a company looks for commitment from the other partner in fulfilling its obligations in the alliance, there is a possibility, particularly in multiple alliances, that the other partner might not be as committed to that particular alliance much as the other member. This is because the contribution that the alliance makes to its business might be less in comparison to other alliances. Under such circumstances, continuance on the alliance by the partner who perceives the alliance as important but receiving less commitment from the partner is based on the contribution that the alliance makes to its own business.

Trust: Table 6.5 also shows that businesses are concerned about trust when selecting partners. This study measured trust based on "partners' high integrity" (mean = 3.83); partners' honesty about problems when they arise in the alliance (mean = 3.64); partners not making false claims (mean = 3.64); and being counted to do what is right (mean = 3.56). One executive observes:

> C2: With Trust I want to be able to trust them that they are representable. But we pay a fairly big fee to be within this alliance, so I want to see a bit of trust that they do the right thing for that money and as far as marketing and what they do to make the brand – give it more strength.

Most executives who participated in the interviews maintained that "commitment comes with trust", thus trust develops over a period. Therefore, it is difficult to say that trust is a "pre-requisite" for partner selection because one doesn't know whether it would be there. Company executives can only speculate about the trustworthiness of a potential alliance partner on their judgements of the level of their commitment to the proposed alliance because, as C6 notes, "a certain level of trust has to develop for companies to be able to form good strategic alliances." Ideally, companies are looking for what C6 describes as "a partner who is equally honest, upfront with what they got in hand, communicates efficiently in terms of interpreting what has happened, and so on".

Control: Descriptive statistics show less emphasis on control, both informal (mean = 2.79); and formal (mean = 2.61). All the interviewed executives support this and the following statements emphasise the point:

> C7: Control will be the least. We don't aim to control them, let alone to control us.

****

> C2: Control of the alliance partner is important, but …I don't want people to start controlling me too much as well. I want to remain independent.

Interviewed executives argue that once commitment and trust have been established, control becomes an obvious outcome. Interviews also indicate that 'informal control' and 'market control' are very high with serious implications if conditions are not met. Interviewed executives shared their views of control in the following statements:

C2: I suppose having the ability to select that product and use it (is a form of control). If we are not happy with the product, we could probably not use it I suppose.

****

C4: I see that people think that they control their business and they think they control their supplier, they think they control their staff and they aren't controlling anything. The customer controls everything.

****

C5: The issue of control in my view is not about draconian enforcement. Is about if the product has relevance to the agent, the agent will use it. So the best form of control is really to make sure that your product is desirable, that your product is competitive, then people would by definition want to use it. If it doesn't then no amount of reverting back to a commercial contract will change that.

****

C6: No. I don't need to because to me, as long as there is commitment, as long as there is trust, there is no need for control. They know what I want, and they deliver what I want, and they know that if they don't deliver, then they loose big business, simple. I don't have to control them; they can do whatever they like as long as they deliver the quality of the product that I expect.

****

C7: Certainly, there has to be a level of expectations that are met. We don't want to tell them "you got to do this, you got to do that." And we don't want them to tell us that, however they have every right to say this certain product's standard have to be met. You know if they request reservations that we respond in an appropriate amount of time, that we pay our bills in an appropriate amount of time. Those things – that is just normal business practice, I don't think that's control as such.

Examples drawn from C2 and C6 show how informal and market controls work to control the activities of alliance members. In C2's view, their company, a travel agent, has a selection of multiple products to sell to customers from many service providers including hotels, tour operators and wholesalers. If there is a certain product that their company is not happy with, their control of that service provider normally include not selling it any more if they have had a bad experience with that company's product. "If they don't fix that problem we would obviously take their brochure off the shelf," he says emphatically.

C6 takes the same approach of using service quality as a form of control and he links it closely with a partner's profitability. He observes that as a wholesaler, his company has "the power to be able to shift large chunks of business", from one partner to another, or by moving out of a partnership altogether. He passionately related this example to me. "Ok, you have half a million Euros from us this year, that's a chunk in your balance-sheet. No matter what you say, once I take that chunk from you, you don't have half a million Euros, you got to find that, and move somewhere else. So don't do what I don't expect you to do, and just deliver the product". However, he emphasised that such a control mechanism should not be mistaken for "a bargaining tool" but as a way of making an alliance partner meet his/her obligation. In doing so, he argues that, both parties should be as honest as possible.

These observations confirm past research on control of partners. Although Medina-Muñoz et al. (2003) cite a number of authors to argue that the tour operators' dominance is reflected in the control they exercise over the accommodation companies, which are subject to control in different ways and varying degrees; they confirm that there is no empirical evidence in the literature on tourism and hospitality management to back this claim. Medina-Muñoz et al. (2003, p. 144) found that the degree of control exercised by tour operators over accommodation companies is "medium" and that some operators exercise hardly any control, while others use a high degree of control. They also found that there is greater use of "informal control" than "formal". In their study of the relationship between tour operators and accommodation companies, Medina-Munoz and Medina-Munoz (2004, p. 97) found that overall success of inter-organisational relationships is greater when there is increased "(a) control over the internal operations and conditions, the economic and financial aspects, and the establishments and facilities of the accommodation company; (b) behavioural, results and social control; and (c) control mechanisms comprising soft influence strategies, supervision and direct integrative mechanisms." The findings of this thesis contradicts Medina-Munoz and Medina-Munoz (2004) because of the lack of formal control that tourism businesses in Australia have over alliance partners. Interviews with executives suggest that although control is the least important of the four themes under investigation, it is practiced in a variety of ways. For instance, both travel agents and wholesalers can use their ability to select a product and sell it to customers as a way of controlling product quality and service providers because they “have the power to be able to shift large chunks of business” from a partner they think is no longer committed and trustworthy.

Compatibility: Two items measured this. This study shows that there is less emphasis on basing partner selection on similar size and strengths (mean = 2.58) while there is recognition that in order to have an alliance that could be maintained for the longer term, businesses cultures should be compatible (mean = 3.39). Previous studies have highlighted the impact of cultural distance on alliance stability (Lewis, 1990). Lewis’ study support Rodríguez’s (2005) argument that strategic alliances are characterised by the presence of at least two cultures from two organisations that interact and build interdependency. Lewis further argues that as the relationship develops between organisations that have formed an alliance, a third culture emerges, suggesting renegotiations and synthesis of deep components of the original cultures – attitudes, values, and mores. Two executives observed that:

> C3: In all three alliances the culture is different. In terms of the culture of the other [the first alliance member] their culture is probably more adventurous than our culture. Their culture is more inclined to take risk, to push the boundaries further with their clients than our culture is. It’s an interesting mould and, what that means, businesses we are having relationships with comes back a pick and we go up a pick. We meet half way because that’s the market we are looking at. It’s a blending of the cultures, not a similar culture. Can the cultures blend? Can the cultures meet? Can they compromise? That was the issue there.
>
> ***********
>
> C5: Cultural similarity is probably the least because we have partners all over the globe …That’s not really an issue.

6.6.1 Relationship between choice of alliance partners and, company & UE characteristics

This section tests whether there are any significant associations between choices of alliance partners, and company and UE characteristics. Table 6.13 presents the results of one way ANOVA for company and UE characteristics' influence on choice of alliance partners.

Table 6.13: Results of ANOVA for company and UE characteristics' influence on choice of alliance partners

Company Characteristics	Commitment		Trust		Compatibility		Control	
	df	F	df	F	df	F	df	F
Sub-sector	2	2.037	2	1.568	2	0.057	2	4.090*
Legal form	**2**	**0.636**	2	.134	2	0.154	2	0.198
Employees	**2**	0.654	2	0.086	2	0.605	2	0.262
Turnover	2	4.538*	2	0.528	2	2.898 †	2	0.466
Category	**1**	8.062**	1	0.293	1	4.114*	1	0.188
UE Characteristics								
Age	4	0.445	4	.349	4	.553	4	1.543
Education	**4**	0.969	4	.907	4	1.267	4	1.004
Experience	4	.777	4	.870	4	.336	4	1.349
Tenure	4	1.317	4	.804	4	1.498	4	0.143
Ownership	1	1.766	1	.766	1	1.249	1	1.735
Risk willingness	4	**2.161**	4	1.165	4	0.586	4	0.751
Investment Risk	1	0.290	1	0.410	1	0.368	1	0.068
Adventure	1	7.726**	1	0.884	1	2.016	1	0.006
Un-adventure	1	**2.602**	1	0.004	1	3.929†	1	**0.112**

Notes: df = Degree of freedom; †p<0.10; *p<0.05 and **p<0.01; Numbers in bold reports the Welch's F when the Levene's test for variance was found significant. See **Appendix 4.**

Company characteristics: As shown in Table 6.13, company characteristics variables, which best explain choice of alliance partners are sub-sector, turnover and category. This table indicates that significant associations exists between commitment and turnover ($p < 0.05$), and category ($p < 0.01$). Compatibility is significantly associated with turnover ($p < 0.10$), and category ($p < 05$) while control has a significant relationship with sub-sector ($p < 0.05$). There were no significant associations between trust and any of the company characteristics.

***UE characteristics* –** Table 6.13 further shows that only two UE characteristics explain choice of alliance partners. Adventure is significantly associated with commitment ($p < 0.01$) while un-adventure is significantly associated with compatibility ($p < 0.10$). Trust and control were not significantly associated with any of the UE characteristics.

This section answers sub-question (c) in Chapter One, "*what are the relationships between company and executive characteristics, and choice of alliance partners?*" These results show that there are some relationships between choice of alliance partners and company and executive characteristics. However, the relationship between choice of alliance partners and executive characteristics is not as strong as that between choice of alliance partners and company characteristics. What this means is that when making assessments of potential alliance partners, company executives are more influenced by their company size (turnover), and whether the company is family owned or not. It is highly likely that smaller companies are not as stringent as larger companies in making these assessments due to their limited resources and the fact that they must depend on alliances and networks for survival, perhaps more than larger one. In Chapter Two, it was argued that family owned companies pursue objectives like enhancing lifestyle, which might not necessarily reflect choice of alliance partners in the manner in which non-family owned companies (which sorely pursue profitability) would. These differences can be reflected in the different meanings the two forms of businesses give to commitment and compatibility. Table 6.13 also shows a significant relationship between control and sub-sector. Interviews indicate that travel agents and wholesalers, as represented by C2 and C6 examples exert more control than tour operators do in relation to their alliance partners. C3 and C4 who are owner-managers of small tour operators have shown more flexibility in controlling alliance partners. C3 observed that if the alliance is more important to his business than it is to the alliance partner, he has to learn to live with it. When asked about controlling alliances partners, C4 had said, "the market controls everything" and there is no need for him to.

6.6.2 Conclusion on choice of alliance partners

Choice of alliance partners is a dynamic process equated to relationships between human beings (Kanter, 1994; Zineldin, 2002). However, in businesses, company characteristics play a more significant role in shaping executives' attitudes towards choosing alliance partners on the basis of commitment, trust, compatibility and control than, executives' characteristics. Using choice of alliance partners as a dependent variable, this thesis demonstrates that the association between choice of alliance partners and UE characteristics is very weak. Only commitment and compatibility has positive significant associations with two of the UE characteristics. Interviews with executives did not support the UE's influence on choice of alliance partners. Choice of alliance partners has some association with company characteristics particularly sub-sector, category and turnover. Interviews have underscored the importance of choice of alliance partners, which, in a way, determines the longevity of an alliance.

6.7 Strategic alliance performance

Table 6.14 presents the mean, standard deviation, and correlation among all variables measuring alliance performance. Table 6.16 presents the results of ANOVA for company and UE characteristics' influence on strategic alliance performance evaluation. No single item is likely to provide a perfect representation of alliance performance. Therefore, performance can be viewed from multiple perspectives (Pett & Wolff, 2003), where each item is expected to have a certain amount of distinctiveness even though it relates to the same concept. For this reason, alliance performance was measured with 20 items under two themes – overall performance and overall satisfaction in respect to performance. The first fourteen variables are the 14 items adopted from Geringer and Herbert (1991) and have been ranked according to the highest mean. What this indicates is that forming strategic alliances have led to better *sales level* (mean = 4.00), *marketing* (mean = 3.96), *market share* (3.95) and *overall performance* (mean = 3.95). However, alliances have made less contribution to *technology development* (mean = 3.45), *quality control* (mean = 3.34), *cost* *control* (mean = 3.29 and *labour productivity* (mean = 3.25). In respect to overall satisfaction with the strategic alliance (which are in bold in Table 6.14, number 15-20), respondents showed great satisfaction with the alliance (*company satisfaction* [mean = 3.87] and *partner satisfaction* [mean = 3.81]), though these alliances contribute less in terms of *technology transfer* (mean = 3.30) and *developing new technology* (mean = 3.20).

Table 6.14 also indicates the level to which these items are correlated. Most of these items are correlated at 99 per cent significance level. The largest correlation between the 14 items was found between *sales level* and *market share* (r = .806, p. < .01), followed by the correlation between *reputation* and *value creation* (r = .690, p. < .01). Significant correlations have also been found between satisfaction variables with largest correlation between *partner satisfaction* and *company satisfaction* (r = .861, p. < .01), followed by the correlation between *technology transfer* and *developing new technology* (r = .759, p. < .01). Noteworthy are significant correlations between the 14 items on performance and satisfaction variables with large correlations between *technology development* and *developing new technology* (r = .604, p. < .01), and *technology transfer* (r = .591, p. < .01).

Table 6.14: Descriptive statistics and Spearman correlation metrics between the 14-item scale items and the variables constituting overall satisfaction with the strategic alliance firm/company performance versus its performance before joining the strategic alliance (Questions 15 in the survey see Appendix 2)

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Sales Level	4.00	0.83	1									
2. Marketing	3.96	0.91	.445**	1								
3. Market Share	3.95	0.83	.806**	.504**	1							
4. Overall performance	3.95	0.76	.537**	.541**	.580**	1						
5. Distribution	3.92	0.84	.424**	.650**	.486**	.537**	1					
6. Reputation	3.91	0.77	.432**	.472**	.564**	.587**	.541**	1				
7. Profitability	3.89	0.78	.655**	.450**	.667**	.630**	.450**	.456**	1			
8. Value creation	3.76	0.75	.428**	.536**	.432**	.680**	.468**	.690**	.457**	1		
9. Accessibility to skills	3.50	0.83	.191*	.386**	.288**	.408**	.285**	.452**	.413**	.547**	1	
10. Customer service	3.49	0.85	.200*	.428**	.237*	.641**	.450**	.447**	.364**	.490**	.339**	1
11. Technology development	3.45	0.93	.268**	.332**	.297**	.362**	.304**	.399**	.319**	.368**	.497**	.308**
12. Quality control	3.34	0.87	.376**	.243**	.413**	.395**	.299**	.459**	.339**	.451**	.487**	.390**
13. Cost control	3.29	0.88	.342**	.419**	.404**	.526**	.303**	.274**	.570**	.441**	.473**	.554**
14. Labour productivity	3.25	0.92	.191*	.163	.221*	.306**	.175**	.168**	.379**	.318**	.564**	.186**
15. Company satisfaction	**3.87**	**0.77**	**.415****	**.298****	**.434****	**.385****	**.373****	**.282****	**.366****	**.374****	**.230***	**.135**
16. Partner satisfaction	**3.81**	**0.81**	**.334****	**.254****	**.365****	**.347****	**.411****	**.226***	**.323****	**.303****	**.133**	**.169**
17. Learning from partner	**3.74**	**0.84**	**.401****	**.303****	**.432****	**.384****	**.375****	**.290****	**.252****	**.386****	**.289****	**.080**
18. Increase of Clients	**3.59**	**1.04**	**.477****	**.419****	**.429****	**.478****	**.258****	**.289****	**.405****	**.363****	**.277****	**.275****
19. Technology transfer	**3.30**	**1.09**	**.055**	**.138**	**.069**	**.251****	**.085**	**.140**	**.138**	**.187***	**.362****	**.096**
20. Develop new technology	**3.20**	**1.14**	**.144**	**.227***	**.208***	**.235***	**.105**	**.291****	**.143**	**.263****	**.402****	**.103**

Notes: M = Mean; SD = Standard deviation; †p<0.10; *p<0.05 and **p<0.01; Mean calculated from a minimum of 1 and a maximum of 5.

Table 6.14 Continued

	Mean	SD	11	12	13	14	15	16	17	18	19	20
1. Sales Level	4.00	0.83										
2. Marketing	3.96	0.91										
3. Market Share	3.95	0.83										
4. Overall performance	3.95	0.76										
5. Distribution	3.92	0.84										
6. Reputation	3.91	0.77										
7. Profitability	3.89	0.78										
8. Value creation	3.76	0.75										
9. Accessibility to skills	3.50	0.83										
10. Customer service	3.49	0.85										
11. Technology development	3.45	0.93	1									
12. Quality control	3.34	0.87	.630**	1								
13. Cost control	3.29	0.88	.456**	.583**	1							
14. Labour productivity	3.25	0.92	.410**	.564**	.481**	1						
15. Partner satisfaction	**3.87**	**0.77**	**.227***	**.364****	**.303****	**.142**	**1**					
16. Company satisfaction	**3.81**	**0.81**	**.121**	**.343****	**.283****	**.167**	**.861****	**1**				
17. Learning from partner	**3.74**	**0.84**	**.229***	**.309****	**.159**	**.176***	**.723****	**.687****	**1**			
18. Increase of Clients	**3.59**	**1.04**	**.291****	**.286****	**.330****	**.181***	**.506****	**.535****	**.624****	**1**		
19. Develop new technology	**3.30**	**1.09**	**.604****	**.308****	**.287****	**.317****	**.224***	**.220***	**.331****	**.369****	**1**	
20. Technology transfer	**3.20**	**1.14**	**.591****	**.416****	**.243****	**.299****	**.316****	**.234***	**.452****	**.462****	**.759****	**1**

Table 6.6 shows that the 14 performance item scale was reduced to three themes - *overall alliance performance, operational performance, and market share & profitability*, while Table 6.7 shows that the six items measuring overall satisfaction with the strategic alliance were reduced to two themes – *general satisfaction, and technology transfer and development.* Table 6.15 shows the overall means, minimum and minimum means of these items. The table also show the number of items forming each theme. Strategic alliances help in achieving *market share & profitability*, and respondents were generally satisfied with alliance performance. However, alliances in the travel sector do not very much enhance internal organisational *operational performance*, and *technology transfer and development.*

Table 6.15: Ranking of performance and satisfaction factors

	No of items	Overall Mean	Minimum	Maximum
Market share & profitability	3	3.949	3.887	4.010
Overall alliance performance	6	3.833	3.495	3.958
Operational Performance	5	3.371	3.253	3.505
General satisfaction	4	3.755	3.604	3.864
Technology transfer and development	2	3.250	3.198	3.302

Although comments regarding alliance performance and satisfaction were mixed, the interviews supported the above observations:

Market share & profitability (mean = 3.949): Strategic alliances enhance market share. One executive commentated that “Yes, I now have better market share” because of alliances. This was particularly important for companies with international alliances, which help them not only to access international markets, but also to have an understanding of the way those markets operate. As C6 and C7 say:

> C6: In areas of market share, definitely because when you align yourself with companies in big different areas, and they will know the market, and they can

really sit down and negotiate very good deals with the big hotels which under normal circumstances you will not be able to do so and then as a result you are able to provide very competitive pricing on the market place. Definitely, the market is price driven and therefore you develop the market share as you benefit on the market share aspect of it definitely.

****

C6: Our profitability had definitely improved with the growth of this alliance.

Overall alliance performance (mean = 3.833) and General satisfaction (mean = 3.755): Given the responses of the interviewed executives, alliances will be part of organisational practice for a long time. As C5 observes "Alliance is an extremely important part of business. …I think I would never want to lose sight of the importance of those relationships and those alliances because I believe they bring an awful great deal of value to the business." C5 goes on to say that:

C5: You think a company can exist without partnerships? The point really that needs to be understood is that there is no opportunity to distribute without alliances. Those alliances really provide the channels for distribution both in terms of access to product and things to distribute those products, and without those alliances, really you have no relevance in that chain.

Satisfaction with alliance performance ranged from 'reasonably satisfied' to 'very satisfied'. The interviewer asked the question; "If you were asked to make a general statement about how satisfied are you with the overall strategic alliance performance what would you say?" and comments were:

C2: Reasonably satisfied. Yes. Not totally satisfied but just reasonably. I think the reason will be, coming down to brand recognition.

****

C3: Very satisfied. Yes from my point of view. I drive it, make it very satisfying. Go into it, work harder to make it very satisfying and to date the alliance partners have delivered what they said they want to deliver, and from there I'm very satisfied.

****

C4: So, you know, that's how important it is to us, that's how it is unfolding, it's very satisfactory. It's relentless. It's just irresistible. We will kill them with this. It's all alliances.

****

C5: Very satisfied. That has just proven to be very successful for us. As I have said, alliances have to be mutually beneficial, and I think we have delivered value to our partners and they our partners have delivered value for us. On top of that there is a significant amount of goodwill which exists between this organisation and the partners of this organisation, and that's a very healthy position in my view to be in.

****

C6: I would say I'm never satisfied but generally speaking, there are levels of satisfaction I would say is close to 80 per cent if you were to put it at that level. There are always areas where you need to improve on, or you have to make ends meet

****

C7: Mixed satisfaction. In some regards we are working incredibly well together, the value of the relationship has increased to about 60 per cent a year for about five years in a row. So there is very high growth in the dollar value of the relationship. So that's good. On the negative side, as the business grows, we are finding we need to put more energy into maintaining the relationship and to ensure the smooth operation of the relationship, and so, we are just about to sign an agreement so that we have a clear, very clear expectations of what the mutual obligations are between each of the two parties, so things as simple as reservation procedures, timing issues, payment issues, product quality standards, you know.

Technology transfer and development (mean = 3.250): Companies reported relatively low levels of *technology transfer and development.* Reasons for this varied considerably as indicated by most of the comments executives made during the interview. The main reason being that the travel sector is as C3 argues, "not a very technology based industry" though technologies reported included "website design", designing "advertising materials", "databases" and "reservation systems". Commenting on the lack of *technology transfer and development* in their alliances, two executives observed that:

C4: There might be for them, there wouldn't be for us. …I really can't see us getting much. We get our bits and pieces from anyone. You know, you are always learning, but there is not a substantial thing for us. The other way probably, we can teach them about managing data basis and marketing and sales things but I don't think we have got much to learn from any Peninsula operators.

****

C6: I do not consider the European market that we are involved in to be technological advanced as we are. In some areas they are but, overall we do have much superior technology here in hand.

Some executives reported that their companies have benefited from *technology transfer and development* due to alliances their companies are involved in, particularly with respect to reservation systems.

C2: There are things that being part of the alliance does – they provide training for staff, access to better and new technology is all available as well. Yeah, the alliance we are part of has setup recently a better airfare database. Just one of the main ones they recently setup. They have setup a comprehensive airfare database which is able to allow us very quickly to search for the best airfares anywhere in the world.

****

C5: The alliances that we have with technology companies would certainly benefit our capacity to deliver.

****

C7: We are about to launch a new reservation system and that system was developed by XXX in house. They had a team of eight people writing the code for the reservation system for two years and now that is fully operational, and that system is going to be put in place here. So that's a really major piece of technology sharing. Similarly we share operational standards and procedures.

6.7.1 Problems that hinder alliance satisfaction

Pragmatism emphasises the issue of surprise as the research unfolds. This surprise phenomenon arises out of data that point to issues, which were not part of the original objectives of the study. One such surprise, which could not be ignored in this thesis, relates to problems which hinder alliance performance. Though they are not exhaustive, they point to the fact that alliances could be a challenge. The first problem is that of "brand recognition'. One executive pointed to the fact that his organisation's dissatisfaction with the alliance group is in the fact that the brand is not as recognised as other brands in the travel industry. Other problems relate to national culture, communication and alliances becoming more expensive to maintain as they develop. C7 says that:

> C7: …we are finding we need to put more energy into maintaining the relationship and to ensure the smooth operation of the relationship, and so, we are just about to sign an agreement so that we have a clear, very clear expectations of what the mutual obligations are between each of the two parties, so things as simple as reservation procedures, timing issues, payment issues, product quality standards, you know.

On national culture and communication, C6 maintains that "…the reason why sometimes alliances such as this may or may not necessarily work is due not because of the business processes but actually cultural differences." Therefore, cultural differences should be resolved "…before any strategic alliance can develop between two different companies working in two different central places of a geographical world." The following statement by C6 identifies crucial issues in the cultural differences discussion:

> C6: Unless you resolve to understand the person, the company, what's their strategies, what's their views, how they interpret things – that's when you resolve most of your problems, and the difficulties arise when those cultural differences are not resolved. You are sending a message, they are understanding totally different thing and they are sending it back and forth, back and forth, it doesn't get resolved until such time they understand what happens and this is only resolved by just getting on the plane, going and visit them, sitting down and talking to the accountant officers who are handling your inquiries or whatever, and say "this is how we expect things to happen." Just a couple of days ago, there has been a switchover, a staff member we had dealt with for a couple of years had left, a new one came in, of course we are talking about Austria, different mentality all together, ok! Nothing wrong with the person, but could not understand, so I have sent a message yesterday and say "well, look, its pointless for you to respond to each particular question I have asked. You have to think two or three steps ahead as to what I'm really asking, and try to deliver it on one go, otherwise we have been communicating as you can see for three days and we still haven't resolved the same problem." I said under normal circumstances this is ok if we are not

> under pressure but when there is a customer at the end expecting the service, we are regarded to be very quick, and very responsive to our customers needs. I said you spent already 72 hours and we still haven't resolved this issue. So from now on you must do this, this, this and yes that's how it is resolved. But that's the result of cultural differences, not understanding what the question is. It is also linguistic, they all speak English but I'm sure, "what is your mother tongue?" … You have to be careful with this because you put the wrong words, they interpret it literally. You are just sort of speaking metaphorically. You see this short email that comes back because they totally misunderstood you. You need to just develop that. But once that is resolved, there are no problems. And that's how it works, but it's already 80 per cent, it can never be 100 per cent because there are a lot of variables.

This sections answers sub-question (d) in Chapter One, *"Are strategic alliances in the travel sector effective?* These results show that although there are a number of cultural and communication problems, which sometimes face companies involved in strategic alliances, these forms of business collaboration, are an effective way of enhancing business operations. Table 6.14 shows a general satisfaction with the performance of alliance. Means for all the twenty items is above three, suggesting high level of executives' satisfaction with alliance performance. Interviews with executives underscore the importance of these alliances in the travel sector.

6.7.2 The influence of company and UE Characteristics on strategic alliance performance evaluation

ANOVA analysis was also employed to assess the degree to which managers' perceptions towards alliance performance are related to company and UE characteristics. The first set of ANOVAs compares company factors (sub-sector, legal form, number of employees, turnover and category – whether it's a family or non-family owned business) with *overall alliance performance*, *operational performance, market share & profitability, general satisfaction with alliance performance, and technology transfer and development.*

Table 6.16: Results of ANOVA for company and UE characteristics' influence on strategic alliance performance evaluation

Variables	General satisfaction with performance		Satisfaction with technology transfer		Overall alliance performance		Operational Performance		Market share & profitability	
Company Characteristics										
	df	F	df	F	df	F	df	F	df	F
Sector	2	1.599	2	6.222**	2	0.252	2	0.190	2	12.138**
Legal form	2	**0.318**	2	1.414	2	0.138	2	0.187	2	4.758*
Employees	2	**0.538**	2	.394	2	3.413*	2	0.571	2	4.651*
Turnover	2	1.579	2	1.683	2	0.648	2	1.130	2	7.430**
Category	1	**5.592***	1	1.609	1	5.744*	1	1.471	1	9.878**
UE Characteristics										
Age	4	0.630	4	0.753	4	0.732	4	0.380	4	0.298
Education	4	0.855	4	1.806	4	0.328	4	0.474	4	0.878
Experience	4	0.464	4	.316	4	0.944	4	2.800*	4	1.508
Tenure	4	0.917	4	2.439†	4	3.073*	4	2.564*	4	0.557
Ownership	1	**0.090**	1	0.013	1	1.490	1	0.293	1	4.968*
Risk willingness	4	2.124†	4	1.723	4	1.651	4	0.746	4	1.987
Investment Risk	1	0.108	1	0.175	1	0.978	1	0.099	1	0.035
Adventure	1	0.588	1	3.789†	1	6.229*	1	0.672	1	2.165
Un-adventure	1	1.593	1	**0.035**	1	0.006	1	0.787	1	0.162

Notes: df = Degree of freedom; †p<0.10; *p<0.05 and **p<0.01; Numbers in bold reports the Welch's F when the Levene's test for variance was found significant. See **Appendix 5.**

The F-test result in the ANOVA table above shows that there are significant relationships between performance themes and company characteristics. While some of these factors are not significantly related, Table 6.16 shows that *general satisfaction with performance* is significantly related to *category* (p < 0.05), and *satisfaction with technology transfer and development* is significantly related to *sub-sector* (p < 0.01). *Overall alliance performance* is significantly related to two company characteristics, *number of employees* (p < 0.05) and *category* (p < 0.05). *Market share and profitability* is significantly related to all company characteristics **–** *sub-sector* (p < 0.01), *legal form of business* (p <.05), *number of employees* (p < 0.05), *turnover* (p < 0.01) and *category* (p < 0.01).

The second set of ANOVAs compares UE characteristics with *overall alliance performance, operational performance, market share & profitability, general satisfaction with alliance performance, and technology transfer and development.* The F-test results in the ANOVA table above shows that there are no significant relationships between *age, level of education, investment risk and un-adventure*, and any of the performance items.

However, significant relationships were found between *general satisfaction with performance* and *risk willingness* ($p < 0.10$), and *satisfaction with technology transfer and development* is significantly related to *tenure* ($p < 0.10$) and *adventure* ($p < 0.10$). *Overall alliance performance* is significantly related *tenure* ($p < 0.05$) and *adventure* ($p < 0.05$). *Operational performance* is also significantly related to two UE characteristics – *experience* ($p < 0.05$) and tenure ($p < 0.05$), while *market share and profitability* is significantly related to *ownership* ($p < 0.05$).

This sections answers sub-question (e) in Chapter One, "*what are the relationships between company and executive characteristics, and strategic alliance performance evaluation?*" These results show that there are some relationships between alliance performance evaluation and company and executive characteristics. The relationship between alliance performance evaluation and executive characteristics is not very strong. However, all alliance performance themes are in some way significantly associated with one or two UE characteristics. With the exception of *operational performance*, company characteristic influences all alliance performance themes. What this means is that, for instance, a company executive's assessment of his/her *general satisfaction with performance* of an alliance is influenced by whether that company is a family-owned or non-family-owned business, and executives' assessments of their company's satisfaction with technology transfer would vary according to whether that particular company is a travel agency, tour operator or wholesaler.

According to Kale et al. (2002) managers can assess alliance performance in terms of either their overall satisfaction with the alliance, or the extent to which an alliance has met its stated objectives. The above findings challenge the use of perceptual managers' assessments of performance of strategic alliances without due regard to their characteristics and the extent to which their environments (i.e. company characteristics) influence such assessments. Findings of this thesis suggest that the objectivity of these managers' assessments of alliance performance should be viewed within the confines of managers' and companies' characteristics.

6.7.3 The relationship between choice of alliance partners and alliance performance evaluation

In Table 6.17, choice of alliance partners was treated as the independent variable. Regression tests sought to find out if there are any significant relationships between the choice of alliance partners and assessment of alliance performance. Table 6.17 presents results for multiple regression analysis of choice of alliance partners and alliance performance. The results indicate that choice of alliance partners influences alliance performance and executives' satisfaction with performance:

Commitment: Beta values and t-tests indicate that commitment had a positive effect on *general satisfaction with alliance performance* and *market share and profitability* ($p < 0.001$), and *overall alliance performance* ($p < 0.05$). This means that more successful alliances, which tour operators, tour wholesalers and travel agents are involved in exhibited higher levels of commitment. However, the association between *commitment* and *satisfaction with technology transfer* and *alliance operational performance* was not significant.

Trust: As shown in Table 6.17, *general satisfaction with alliance performance* was influenced positively by *trust*. This table also reveal no significant association between *trust* and *satisfaction with technology transfer*, *overall alliance performance*, *alliance operational performance* and *market share and profitability*.

Control: Results in Table 6.17 further reveal that *control* had a positive effect on *satisfaction with technology transfer* ($p < 0.001$) and *alliance operational performance* ($p < 0.05$).

Compatibility: Results of multiple regression analysis indicated in Table 6.17 reveal no significant association between *compatibility* and *satisfaction with technology transfer, overall alliance performance, alliance operational performance* and m*arket share and profitability*. *Compatibility* was only positively associated with *general satisfaction with alliance performance.*

Table 6.17: Multiple regression results for choice of alliance partners influence on strategic alliance performance evaluation

	General satisfaction with alliance performance[1]			*Satisfaction with technology transfer*[2]			*Overall alliance performance*[3]			*Alliance operational performance*[4]			*Market share and profitability*[5]		
	b	**Beta**	**t**	**b**	**Beta**	**t**	**b**	**Beta**	**t**	**b**	**Beta**	**t**	**b**	**Beta**	**T**
Independent Variable															
Constant	-0.003		-0.053	0.002		0.019	0.002		0.023	0.005		0.059	0.015		0.170
Commitment	0.638	0.620	10.641***	0.134	0.128	1.443	0.217	0.229	2.187*	0.136	0.145	1.1455	0.451	0.445	4.668***
Trust	0.464	0.461	7.946***	0.114	0.112	1.266	0.118	0.121	1.156	0.138	0.142	1.430	0.094	0.090	0.098
Control	0.007	0.007	0.117	0.535	0.521	5.897***	-0.063	-0.067	-0.646	0.298	0.320	3.236*	-0.142	-0.142	-1.494
Compatibility	0.230	0.200	0.422**	0.015	0.013	0.143	-0.68	0.065	-0.621	0.112	0.107	1.076	-0.052	-0.046	-0.483
R^2		**0.698**			**0.303**			**0.078**			**0.164**			**0.234**	
df		4			4			4			4			4	
F		51.968***			9.772***			1.826			4.228**			6.560***	

Notes: [1, 2] n = 95; [3, 4, 5] n = 91; b = Unstandardised coefficients; df = Degree of freedom; *p<0.05, **p<0.01 and ***p<0.001;

Empirical results from this study give support for the majority of dimensions suggested in existing strategic alliance and inter-organisational relationships literature as determining factors for relationship success: commitment, control, trust and compatibility. The interviews support the above findings. The interviewer asked the question; “Would you say that good choice of alliance partners enhances alliance performance?” Comments were:

> C5: I completely agree. I mean business is just ah, if you like, a component of society. …For business to be successful and survive it needs to position itself in such a way that it operates within the law and against certain moral code, that it operates in such a way that it attracts goodwill, that it affiliates itself with bodies that either gonna have commercial benefits or skill sharing, or access to skills which are not necessarily available within the business.
>
> ***********
>
> C6: Definitely. Very much so. It is the key because when I have a problem I just pick up and just talk to them. …that’s very important, so that I can, based on that information, go in and make an offer to customers and say “this is it, this is done, you can do this and the other” and I know, because of the trust I have, they don’t misinterpret the facts, That’s important.
>
> ***********
>
> C7: I think that’s very valid and I think you know for instance, if you choose a partner which doesn’t have fitting values, the chance of that partner’s performance in the alliance wouldn’t be good. Yeah, I think it sound a very valid issue.

This section answers sub-question (f) in Chapter One, *“what are the relationships between choice of alliance partners and alliance performance evaluation?”* Results show positive significant relationships between choice of alliance partners and alliance performance evaluation. This suggests that alliances based on commitment, trust, control and compatibility are likely to be more successful. In making choices of alliance partners, company executive need to assess potential partner’s trustworthiness, commitment and compatibility in terms of cultural practices and values.

6.7.4 Conclusion on strategic alliance performance

The aim of section 6.7 was to evaluate the performance of strategic alliances between tourism businesses, with a focus on the travel sector. The results indicate a high level of satisfaction with alliance performance as shown by the mean ranking of both the *perceived alliance performance* and *perceived overall satisfaction with the alliance variables*. A further mean ranking of the five themes generated from factor analysis shows that strategic alliances contribute significantly towards companies' Market share and profitability, Overall alliance performance and General satisfaction.

Further analysis shows that assessment of alliance performance is not necessarily objective. There are significant associations between strategic alliance performance variables and both company and UE characteristics. However, performance is more associated with company characteristics than with UE characteristics. A linkage is further made between choice of alliance (as independent variables) and alliance performance. Interviews support the above with most of the interviewed executives agreeing that they are satisfied with their alliance performance and that a good choice of alliance partners leads to better alliance performance.

6.8 Chapter conclusions

Four objectives were set in Chapter One. The first objective was achieved in Chapters Two and Three. These chapters reviewed the related literature on strategic alliance formations in the tourism industry (and where relevant, in other industries) with a view of identifying common alliance formation practices and how they are formed. The second, third and fourth objectives were achieved in this chapter. This was done by answering six subsidiary questions set in the first chapter. These questions relate to (a) the major motives for strategic alliance formation; (b) the relationships between company and executive characteristics, and four crucial strategic alliance issues: decision-making, selection type, choice of partners, and performance evaluation; (c) the effectiveness of strategic alliances in the travel sector, and (d) the relationships between choice of alliance partners and alliance performance evaluation.

In answering these questions, this chapter analysed both quantitative and qualitative data. In doing so, attempts were made to integrate the analysis in such a way that the two sets of data related and complemented each other. In addressing the first question, the study found that all the motives were important. However, using mean ranking, the five most important motives for alliance formation in the travel sector were identified as *reputation and corporate image, strength of personal relationships, developing/creating new markets, economies of scale, and learning from each other*. In answering sub questions (b), (c) and (d), ANOVA was used to assess relationships between company and UE characteristics, and decisions to form domestic and/or international alliances, selection type, choice of partners and alliance performance. In doing so, the study found that strategic alliances formation has significant relationships with company characteristics more than with UE characteristics.

Among the UE characteristics, which were investigated but did not have much influence on alliance formation was risk. Few strategic alliance researchers have included this variable (Tyler & Steensma, 1998). This study aimed to broaden this investigation further by including tolerance for ambiguity (Gupta & Govindarajan, 1984) and willingness to take risk (Weber et al., 2002) items. It was anticipated that alliance formation factors would have significant relationships with these risk domains. Only Investment risk and Adventure were significantly associated with the decision to form strategic alliances and the number of alliance. There were no relationships between all the risk factors and alliance types. Given the fact that most of the executives who participated in the quantitative survey indicated that they are intolerant of ambiguity as much as they are risk averse as shown in Table 6.4, it was also expected that associations would be found between risk factors and alliance type. Answers to this confusion were revealed during the interview where only one executive said that alliances are risky. C6 maintains that:

> C6: Of course everything is a risk. There are no certainties. Things could turn on you. The key is to be able to identify it before it goes real bad. That's where internal controls and quality controls come in. When you get a bit of a vibe that things are not going right, you should not keep it to yourself, that's my strategy. Get on the phone, bang, "this is what is happening, what's your answer? Convince me that I'm thinking incorrectly." But if you let it fester and they think they can get away with it, it can only work against you. It's always a risk. Business is a risk. If I just walk outside the door is a risk [We all laugh]. True. There are no guarantees.

The majority of the executives interviewed said that alliances are not risky. For instance C2 said, “risky, probably not. I can’t see risks” even though he strategic alliances like JVs can be more risky than other types. He maintains that “joint ventures, obviously going to mean some sort of partnership which might involve money, so there is risk there because of some capital investment”. When asked if alliances are a risky form of business, C5 said “No I don’t think so’, C6 “not really” and C3 said, “I would say no. I would say they are a valuable direction to take if you want to expand or develop your business. I don’t see it as risk, I see it as opportunity”. Although this thesis is not on risk associated with strategic alliances, the above statements contradict previous studies on alliance risk (Das, 2004; 2005; Das & Teng, 1998; 2001; Stanek, 2004).

The other characteristics widely referred to in the UE literature as determinants of firm strategy (Carpenter et al., 2004; Hambrick & Mason, 1984) were not as influential as it was hoped. While these characteristics have been applied in organisational strategies, Pansiri (2005a) argues that theoretically, these characteristics could also be influential in strategic alliance formation since alliances are widely seen as part of organisation strategies. Further research is necessarily in this area.

In addressing sub-question (d) relating to alliance performance, this thesis found that executives perceive alliances as effective ways of enhancing business. Multiple regression analysis was then performed to assess the relationship between alliance performance and choice of alliance partners. This was done to answer sub-question (f). Positive significant relationships between choice of alliance partners and alliance performance evaluation were found to exist, suggesting that alliances based on commitment, trust, control and compatibility are likely to be more successful.

Chapter Seven

Principal findings, limitation and future directions

7.0 Introduction

The central research question in this study was *"what are the effects of company and executive characteristics, on strategic alliance formation - strategic alliance selection, choice of alliance partners and alliance performance evaluation in the Australian travel sector?"* By addressing this question through six subsidiary questions, this study achieved three of its fundamental objectives. The study addressed this question by gathering information from company executives through a sequential mixed-method research process (QUAN-qual) where interviews were conducted after a survey that was sent out to company executives in the tourism sector of travel. This method is premised on the ideas of pragmatism, a tourism research agenda whose framework was laid down in Pansiri (2005b) and further explained in Chapter Five.

Based on 117 responses from company executives who participated in the study through a survey and six interviews with executives, data analysis was conducted in the previous chapter. This chapter seeks to conclude the theoretical ideas and findings of this study. In doing so, the emphasis is on the development of a more practical understanding of alliance formation, and how tourism organisations and management practitioners could further enhance organisational efficiency through alliances. Avenues for further research are also explored. In this attempt, reflection on the philosophy that guided this research from the beginning is essential. In the fifth chapter, and in Pansiri (2005b), an argument for pragmatism as an essential philosophy for tourism research was made. The same argument could be extended to any social science research. In Chapter Five, the most pragmatist doctrine – the pragmatist theory of truth, was briefly discussed and linked to the goal of enquiry.

Dwyer's (1987) and Rorty's (1999) claims regarding the role of inquiry sets the scene for this chapter. The intention of this study was never to find some truth out there because as pragmatists insist "there is little to be said about truth" (Rorty, 1999, p. 32). Needless to say, this study is not about philosophy, though philosophical paradigms help researchers to establish relevance by understanding where they come from. Therefore the reader should understand that the goal of this study was not to unearth truth nor come up with some general laws that seek to explain human conduct and behaviour, but rather to find ways through which human beings can enhance their capacity to trust and cooperate with others in order to work together so as to improve their future (Rorty, 1999). Like other pragmatist projects, this study "…aim[s] at improving our institutions in such a way that our descendents will be still better able to trust and cooperate, and will be more decent people than we ourselves have managed to be" (Rorty, 1999, pp. xiii-xiv). This is achievable through what Dwyer (1987) calls providing *cognitive* or *epistemic*, and *practical* or *technological* value. This chapter emphasises better ways in which organisations could cooperate through strategic alliance, and offers more opportunities for further research in the area. In doing so, a new framework for strategic alliance formation is developed from which the conclusions are based.

7.1 Towards a new framework for strategic alliance formation

The purpose of this study was to investigate the influence of company and executives characteristics on the adoption of strategic alliances, alliance selection, choice of alliance partners and alliance performance in the Australian tourism sector of travel. In this manner, the study sought to address a key gap in the literature in both the field of strategy and strategic alliances. As shown earlier, research on strategic alliances has neglected the role played by top executives' characteristics and to a certain extent, company characteristics.

For instance UE research has overlooked strategic alliances as strategic options which organisations can opt for, concentrating only on the traditional strategic options such as product innovation, diversification, integration, financial leverage and administrative complexity (Hambrick & Mason, 1984; Carpenter et al., 2004). On the other hand, company characteristics studies have barely progressed beyond the structure-strategy debate ever since Chandler (1962). This debate can be broadened to consider the influence of company characteristics on strategic choices, something the UE perspective has already done. This left the link between strategic alliances, top management characteristics and company characteristics both theoretically and empirically underdeveloped. In order to address this gap, this study examined these relationships from the perspective of top executives, using three travel sub-sectors, namely travel agents, tour operators and tour wholesalers.

This thesis is among the first of its kind to investigate a combination of company characteristics, along with Evans' (2001) model of the strategic management processes involved in the formation and evaluation of strategic alliances, and Hambrick and Mason's (1984) UE perspectives of organisations. Review of the relevant literature led to the research framework incorporating the UE and company characteristics perspectives as outlined in Figure 4.1. This framework is based on two streams of theory – company characteristics and the UE perspective. Some of the linkages, particularly the company characteristics and decision-making linkages are under-researched and evidence barely exists to suggest that strategic decision options are influenced by company characteristics. This thesis investigates strategic alliance options as decision-making alternatives rather than the traditional options like product innovation and diversification. Using both quantitative and qualitative data, analysis in the previous chapter indicates that this framework can no longer be accepted as it is. It can be re-designed to provide a more meaningful understanding of strategic alliance practice. Figure 7.1 is the new framework, which consolidates the findings of this research.

Figure 7.1 shows that environmental analysis and decision outcomes are highly influenced by both company and managerial characteristics. The literature does not say to what extent managers ever pause to think, "how do company strategic decisions reflect my own characteristics or to what extent do such decisions reflect the nature of the company?" More often management literature and business schools in many universities emphasise rationality and rational decision-making in their programs as if company executives are rational calculating instruments devoid of human limitations. This study found that company characteristics (sub-sector, number of employees, turnover and category) are important factors in determining alliance options, choice of alliance partners and assessing alliance performance. Legal form of business did not have any influence and can therefore be dropped from the framework. Similar studies have found this factor less influential in decision-making (Temtime & Pansiri, 2003; 2005). Using observable characteristics as managerial cognitive base, this study found little evidence of executives' characteristics influence on strategic alliance formation. This is not surprising. Although Gallén (1997) laments that the cognitive style of managers seems to be the missing link when differences in strategic choices are explained, the author maintains that based on observable characteristics such as age, socioeconomic background and education, it has not been possible for researchers to explain fully different strategic choices managers make based on their different individual characteristics.

Executive characteristics cannot be dropped from this framework because previous studies after Gallén (1997) have found some relationships between strategic choice and managerial characteristics. For example, Tyler and Steensma (1998) found that age, technical education and technical work experience were directly related to executives' assessments of technological alliances, while Papadakis and Barwise's (2002) study also supports the view that CEOs influence the strategic decision-making process, over and above the influence of the broader context such as external environment, firm size and decision characteristics. While these studies were based on different industries from that of this thesis, the sharp distinction is one of organisation size. For Tyler and Steensma (1998), the annual firm sales for their study averaged $728 million (American dollars) while Papadakis and Barwise's (2002) study was based on manufacturing enterprises with more than 300 employees, a sharp contrast with this study which had only 4.3 per cent of companies investigated having more than 200 employees and only 23.9 per cent having annual turnover exceeding A$7M. Strategic decision-making is difficult for SMEs because of lack of availability of resources.

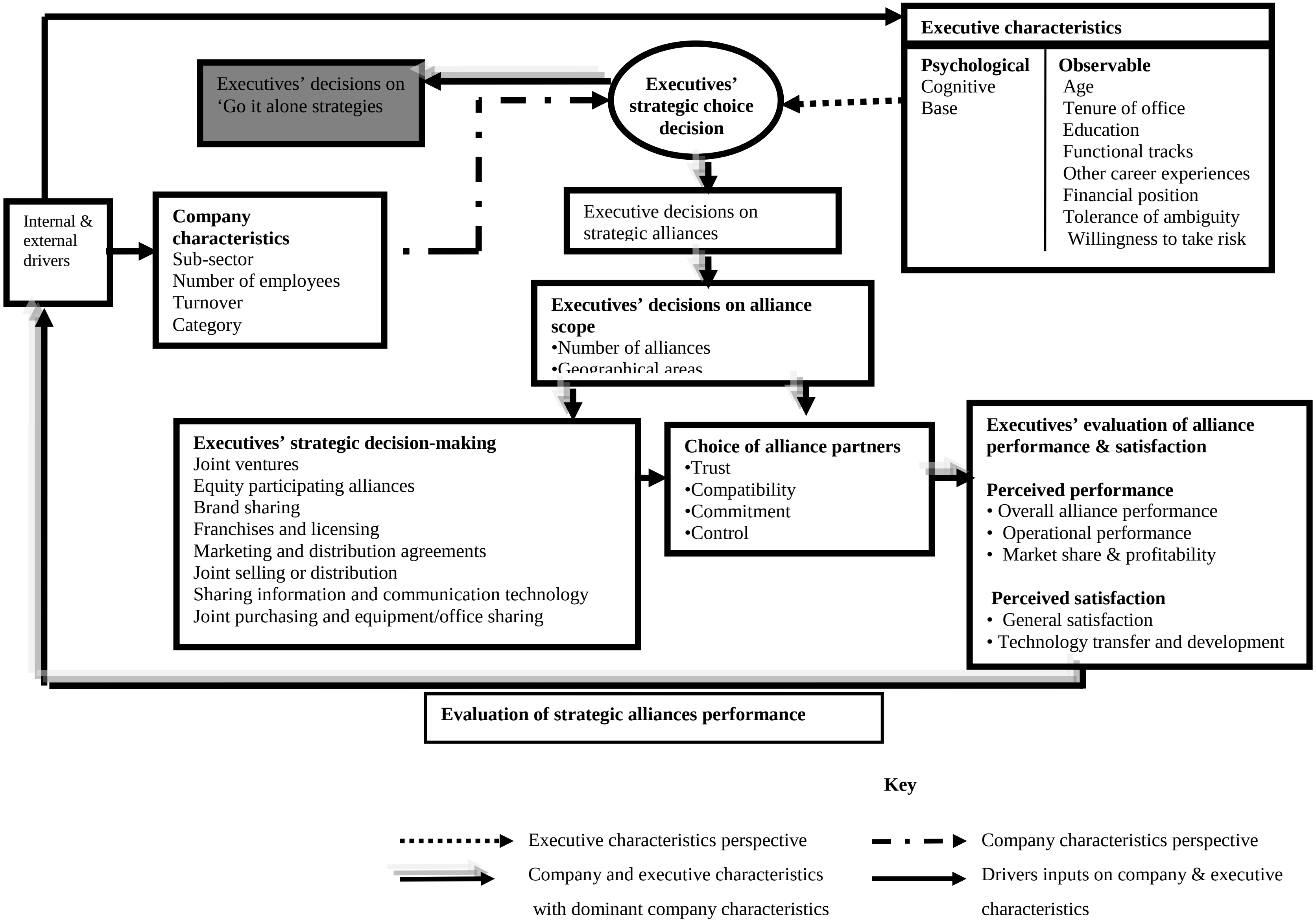
These factors overshadow managerial characteristics to the extent that they become less important in making strategic choices. There is need for further studies on CEO characteristics and strategic decision making with particular relevance to SMEs.

7.2 Strategic alliance motives

The discussion on strategic alliance motives centred on the first part (internal & external drivers) of the framework for conceptualisation of the collaborative strategy process as depicted in Figure 7.1. While not much work has been done on this subject with particular reference to the tourism industry, a wealth of knowledge has been drawn from the general literature with a view to understanding these factors further. The review of the literature in Chapter Three of this thesis underscores the need for further research particularly in tourism in order to understand how strongly tourism industry participants see these motives as important when forming strategic alliances, rather than just using findings of research from different industries.

Most of the motives in this study have been studied before but not necessarily in one single study or industry. These studies include Varadarajan and Cunningham (1995), Glaister and Buckley (1996), Jarratt (1998), Whipple and Gentry (2000), and Beverland and Bretherton (2001). The conclusion drawn from analysis of past research and findings of this thesis point to the fact that no single study can capture all the motives for strategic alliance formation. In addition, motives are emphasised differently depending on the sub-sector and to a certain extent, upon the type of alliance entered into. However, through mean ranking, *reputation and corporate image, strength of personal relationships, developing/creating new markets*, *economies of scale* and *learning from each other* were found to be the most important motives for alliance formation in the travel sector of tourism. Most executives who participated in the interview further confirmed the importance of these motives. *Strength of personal relationships* has also featured more prominently with emphasis of the travel sector as a “personality” or “friends” driven industry.

Figure 7.1: Elements of the UE and company characteristics framework that are relevant in the tourism study



Motives such as *developing/creating new markets, economies of scale and entering new domestic and international markets* have been found to be some of the main driving forces for alliance formation in previous studies (Glaister & Buckley, 1996). Glaister and Buckley argue that these motives reflect the nature of market development including the influence of host government policy. While this thesis found no significant correlations between *legal requirements* and *developing/creating new markets*, *legal requirements* has significant correlations with entering both domestic and international markets.

Factors such as *rapid technological change, volatility of the tourism industry* and *brand names* have been identified as important motives for alliance formation. The significance of information communication technology (ICT) has been identified in the literature (Buhalis, 1996; 1998; Buhalis, 1999; Buhalis & Licata, 2002; Morrison & Harrison, 1998; Palmer & McCole, 2000). Morrison and Harrison (1998) link strategic alliance formation and membership to Consort Hotels by small independently owned and operated hotels in accessing technologies and essential markets. Buhalis and Licata (2002) observe that ICT has affected the way in which tourism and travel businesses conduct their operations and compete. As a result, tourism suppliers such as airlines and hotel chains, as well as destinations and intermediaries such as travel agencies and tour operators form alliances that enhance image and increase market share. Identifying and forming alliances with powerful brand names is an important aspect of alliance formation because well-managed brands differentiate the organisation from its competitors, particularly taking into account the volatility of the tourism industry in Australia. The Australian Government Tourism White Paper [tourism white paper] (2003) outlines various factors which have exposed weaknesses in the capacity of the Australian tourism industry to maintain sustained growth and respond quickly and effectively to major challenges. Results of this thesis suggest that one way in which tourism businesses are responding to the volatility of the tourism industry is through strategic alliances.

Of interest are the two most important motives of *reputation and corporate image* and *strength of personal relationships.* Research by Sherwood, Saxton and Inkpen (2006) indicate that alliance partners are more willing to allow for coordination of tasks if their counterparts are perceived as having solid managerial and partnering reputation, because this reduces the amount of risk and uncertainty. This is the likely reason why alliances in tourism for formed due to *strength of personal relationships.* While seeking reputation by participating in franchises where reputation has already established by big and reputable franchise agencies like Harvey World travel, Traveland and Jet Tours Ltd, other SMEs in tourism, which desire to be independent, may form alliances with companies owned or managed by friends whose reputation is already known to them. This has a potential to enhance the competitiveness of the alliance, where compatibility is obvious and capabilities, trust and commitment is already known. However, this approach also has the potential to destroy the friendships that already exist.

What the findings of this thesis mean is that while tourism businesses are faced with most of the pressures identified in the literature in Chapter Three, there is a quest by Australian businesses for providing quality and value in tourism products and experiences. The tourism white paper (2003) noted that Australian tourism businesses must maintain a reputation for quality, value and variety if they are to attract repeat visitation. Unethical practices of tourism businesses (wholesalers, travel agents and tour operators) in China, for examples have been identified as a major problem that could seriously undermine the ambition of the Australian government to portray Australia as premium, high-yield and ‘platinum plus’ destination (King, Dwyer & Prideaux, 2006) and this could cost Australia’s tourism industry tens of millions of dollars per year in the future (Commonwealth of Australian, 2003). This thesis shows that tourism businesses rely on informal control to manage the conduct of alliance partners. In the absence of formal control, tourism businesses rely on *reputation and corporate image* and *strength of personal relationships* in making choice of partners. The quality of this reliance is crucial for the health of Australian tourism.

While companies ranked the top three motives as important, there is a slight variation on the importance of the other ten motives depending on the sub-sector (travel agents, tour operators and wholesalers), suggesting that these motives do not equally exert the same pressure on all companies. It depends on the sub-sector the company is in. Previous studies have emphasised the economic and efficiency motives for alliance formation. As observed by Beverland and Bretherton (2001) consistent throughout the literature on motives for alliance formation is that companies are merely reacting to changes in their environment as businesses, particularly SMEs, struggle to defend against the impact of economic downturn (Jarratt, 1998). What this thesis discovered which previous ones have overlooked is the emphasis on *strength of personal relationships* in a sector, which is "personality" or "friends" driven. The implication of this is that alliances may be formed not necessarily for economic gain but to enhance friendships. This is more important considering the fact that most companies in this study are family-owned, managed by owner-managers.

Studies on family-owned businesses show that there is always a tension between rational profit seeking activities and non-commercial objectives in family-owned business (Westhead & Cowling, 1997; Harris et al., 2004). Westhead and Cowling (1997) observe that because family-owned businesses are not solely profit maximisers, they also pursue such non-commercial objectives as maintaining/enhancing the family lifestyle of owners. Do these non-commercial objectives include forming and enhancing friendship through business strategic alliances? There is need for more research on this area with a view to understand further the implication of personal friendships on alliance formation, management and performance.

7.3 Strategic alliance types, structure and scope

This thesis also investigates the influence of company and UE characteristics on the adoption of strategic alliances in the travel sector and presents a mixture of results. In line with past research, the study supports the UE perspective by linking strategic decisions to executive characteristics. However, such a linkage is by no means conclusive. Central UE characteristics such as age and education which Tyler and Steensma (1998) found to have relationships with decisions to form alliances did not find any support in this thesis. While Tyler and Steensma (1998) emphasised technical education, this study adopted general education background. Earlier studies by Storey (1994) found that entrepreneurial education was one of the few factors unambiguously and positively associated with small business growth. While Roper (1998) found little effect of age of entrepreneur on strategic choices, he concluded that firms run by better educated or trained entrepreneurs were more likely to take strategic initiatives than those run by less educated entrepreneurs.

The findings of this thesis are counter to the most popular perspective on the role of UE characteristics in strategy adoption. There was high expectation regarding the role played by managerial characteristics as this has been confirmed previously by most researchers of the UE School. The concentration of these researchers may shed light on why our particular research is different. Firstly, none of the UE research has been conducted in the tourism industry. Secondly, that most of the UE researchers have never really considered strategic alliances as strategies in the traditional sense (Pansiri, 2005a) and lastly because previous studies were based on relatively large organisations (e.g. Tyler & Steensma, 1998; Papadakis & Barwise, 2002).

Implication of the UE characteristics for management practice is with emphasis first on recruitment. That is, recruitment of top managers should place emphasis on experience and risk taking. In this thesis, 98.8 per cent of the businesses run by managers with experience exceeding sixteen years had alliances as compared to 82.4 per cent of those run by managers with experience not exceeding ten years. Businesses managed by adventurous and risk-taking managers had more alliances than those managed by less adventurous managers. Past studies show that alliances involve risk (see Das & Teng, 2001; 2004; Stanek, 2004). Managers whose businesses can effectively participate in alliance are risk takers. Gupta and Govindarajan (1984) found that greater willingness to take risk and greater tolerance for ambiguity contribute to organisational effectiveness. Table 6.4 shows that most executives who participated in the survey are risk averse. While risk factors did not have significant relationships with alliance types, this thesis found that these factors are important in the initial decisions of alliance formation (whether to have an alliance and the number of those alliances). Companies managed by ‘risk takers’ had more alliances (94.8 per cent) as compared to 84.3 per cent of those managed by ‘risk averse’ executives, and 96.4 per cent of companies managed by executives who tolerate ambiguity had alliances compared to 83 per cent of those managed by executives who are intolerant of ambiguity.

Category of business (family or non-family owned) has significant bearing on domestic alliances and the number of alliances an organisation is involved in, and ownership is significantly associated with most alliance factors. This implies that decisions regarding strategic choices are likely to be centred on the owner-managers. Previous studies have found that SMEs particularly family businesses are highly dependent on a single-decision maker, the owner (Feltham, Feltham & Barnett, 2005) who is reluctant to delegate responsibilities to staff because he/she desires to maintain personal control of the business (Gilmore, Carson & O'Donnell, 2004). Poutziouris (2003) says that it has been recognised that personal aspirations of managers of entrepreneurial growth-ambitious firms impact positively on business development and performance. This thesis found that businesses managed by employed executives had more alliances (59.7 per cent had medium to high number of alliances) as compared to those run by owner managers (30.3 per cent). Owner-managed businesses also reported low participation in international alliances (92.5 per cent) compared to 61.8 per cent of those run by employed executives. More employed executives are risk takers (67.6 per cent) and tolerate ambiguity (55.9 per cent) compared to owner managers who are less risk takers (47.3 per cent) and tolerate ambiguity less (50.0 per cent). There is therefore need for risk taking and management training particularly for owner-managers. Gilmore et al. (2004) suggest that SMEs owner-managers could manage risk through networking and using managerial competencies. Owner-managers could be trained to acquire skills necessary for networking and competency skills that could help them to form and manage effective strategic alliances.

The findings of this study also imply that once a decision has been taken to form alliances, managerial characteristics cease becoming important factors in determining either the form, location or the number of alliances an organisation participates in. Chi-square statistics shown in Table 6.12 suggest that the adoption of strategic alliance types in the travel sector of tourism is more closely associated with company characteristics than with UE characteristics. Table 6.3 shows the extent to which the travel sector is interwoven with other sectors of tourism, partially confirming Tremblay (1998) as summarised in Figure 3.4.

These findings support most of the theoretical observations and research made so far concerning networks in tourism (Poon, 1993; Tremblay, 1998; Pavlovich, 2003).

Firm size as defined by both the number of employees and annual turnover is prominent as a determinant of decisions taken to form strategic alliances, number of alliances and an organisation’s participation in domestic and international alliances. An important consideration is the fact that the majority of these organisations are SMEs employing less than 50 employees (91.4 per cent) with annual turnover less than AU$3M (62.8 per cent). A majority of them are first generation family owned businesses (58.4 per cent) with 73.5 per cent of them run by founder members.

The fact that the majority of these organisations are SMEs has far reaching consequences in respect to alliance formation and participation. For instance, companies employing less than five people accounted for 69.2 per cent of businesses which did not have alliances, while 60 per cent of those employing less than five people which reported having alliances had low levels (1-2) of alliances. At the same time, 100 per cent of businesses, which did not have alliances, had annual turnover less than A$1M while 100 per cent of all businesses with turnover exceeding A$5m had alliances. The number of alliances a business participated in was also highly influenced by annual turnover.

Awareness campaigns by tourism bodies and associations at local, regional, state and federal level are necessary in order to encourage SMEs to form, or participate in both domestic and international strategic alliances in order to enhance synergy, organisational performance, and market share and profitability. Studies of tourism networks (Poon, 1993; Halme & Fadeeva, 1998; Tremblay, 1998; Pavlovich, 2003) show the difficulty of surviving as “lone wolf entrepreneurs” (Leiper et al., 2004).

These findings show that the smaller the business the less it participates in alliances, and if it does, the less the number of those alliances and the more likely it will not participate in international alliances. However, managers of all businesses in tourism should acknowledge the fact that tourism is a highly globalised industry. The pressure to survive in such an increasingly competitive, dynamic and complex environment with limited resources does in a way force organisations to explore strategic alliances, networks, and other hybrid organisational arrangements as alternatives to the more traditional internal development and diversification (Dev et al., 1996). Therefore, organisations, irrespective of size should enter into strategic alliances in order to match and respond to the uncertainties and complexities of today's highly competitive globalised and technological driven business environment.

Australian authorities may need to encourage and support tourism SMEs to participate in strategic alliances at regional, domestic and international levels. *Tourism Australia*[46] has been mandated by the Tourism Australia Act (2004), among other things, with marketing *Brand Australia* and developing strategies "to promote growth in the domestic tourism industry and encourage regional dispersal of international tourists" (Commonwealth of Australian, 2003, p. 2). In doing so, one of their strategies has been identifying opportunities to develop new markets in regions such as Asia and South America. *Tourism Australia,* in its worldwide marketing campaigns, may need to include in their entourage representatives from tourism associations such as The Australia Tourism Export Council (ATEC), Australian Hotels Association (AHA) and Australian Federation of Travel Agents (AFTA). Such bodies should use *Tourism Australia* marketing platforms to identify potential alliance partners for their members and explain the values and expectations of doing business with Australian tourism companies. Further to this, *Tourism Australia* may need to develop training modules directed at how Australian tourism businesses can effectively participate in international markets, including effective participation in international alliances and other

[46] Tourism Australia is the Australian federal government statutory authority responsible for international and domestic tourism marketing as well as the delivery of research and forecasts for the sector. It was created by the Tourism Australia Act 2004 as a major tourism policy reform. It encompasses the functions of organisations, which operated before the 2003 government white paper. These organisations included the Australia tourism Commission, See Australia, the Bureau of tourism Research and the Tourism Forecasting Council. Its main objectives are to: influence people to travel to Australia, including for events; influence people travelling to Australia to also travel throughout Australia; influence Australians to travel throughout Australia, including for events; help foster a sustainable tourism industry in Australia; and help increase the economic benefits to Australia from tourism.

forms of inter-organisational relationships. This support and encouragement of tourism businesses can be expanded further to the Federal Government's initiative of using tourism to provide important connections between regional and metropolitan Australia. This can be achieved by linking regional and metropolitan businesses.

Another implication of company characteristics to management practice is with regard to which travel sub-sector they exist in. Of the businesses, which did not have alliances, 76.9 per cent of them were tour operators while all tour wholesalers reported having alliances. Tour operators also recorded low levels of alliances and their participation in international alliances was very low. Interviews show that tour operators were mainly interested in their immediate local market and had no ambition for expansion. This has considerable ramifications for company growth.

In order to enhance their competitiveness, tourism businesses need to market themselves beyond their immediate geographical borders. One way of achieving this is through both domestic and international strategic alliances. In doing so, they should consider strategic alliances that are relatively less risky financially. The findings on the number of alliances companies participate in and the dominant alliance types cast some reflections on the structure and scope of these alliances. While alliance scope is complex, past research has measured it in terms of the number of partners, number of geographic areas, and operation activities (Colombo, 2003). Using the same measures, this thesis argues that tourism companies are involved in multiple alliances with multiple partners. Their geographic scope is wide, depending upon the size of the company. Most of these companies have alliances that transcend geographical boundaries. Such international alliances are aided by information technology, which allows companies to be linked and to market their products internationally. While Reuer et al. (2002) cites the work of Pisano and observe that biotechnology alliances that entail multiple projects are more likely to be equity than non-equity alliances, this thesis found that alliances in tourism that entail multiple partners are more likely to be non-equity alliances.

This thesis investigated eight strategic alliance types. In Chapter Three, eleven alliance types were identified. However, production and manufacturing alliances, research and development coalitions, and technology development coalitions were left out from the study because the tourism industry is service oriented and not related to the production of goods. Evaluation of the eight alliance types showed that the travel sector of tourism is more inclined towards flexible, less financial investment and marketing oriented alliances structures (I.e. SICA, JSA MDA and FLA). This might be related to the fact that most Australian tourism businesses are SMEs with insufficient resources that could enable them to participate effectively in alliances such as joint ventures, which require high financial investments. These forms of alliances require high levels of compatibility, trust and commitment if they are to be sustainable. Investing more time by tourism businesses in identifying and negotiating with potential alliance partners is necessary. Of course, most SMEs do not have adequate resources to do this, particularly when negotiating with multiple potential international partners, however attempts should always be made to study and understand what their values are, and the manner in which they do business.

7.4 Choice of alliance partners - Towards a new framework of partner selection critical success factors

Mendleson and Polonsky (1995) argue that not only do firms analyse carefully the type of strategic alliance to enter, they also determine the most appropriate partner(s). Past studies suggest that the failure of many strategic alliances can be traced to the partner selection and planning stages and identify the four Cs of compatibility, capability, commitment and control as critical for successful pre-selection of alliance partners (Hagen, 2002; Holtbrügge, 2004; Jamali, 2004). This thesis confirms past research on choice of alliance partners. However, there is need to shift away from the four Cs (compatibility, capability, commitment and control) to Trust – Three Cs [T-TCs] (trust, compatibility, commitment and control). In Chapter Three, section 3.6, these factors were discussed at length. In chapter six, all items measuring trust and the four Cs were reduced through exploratory factor analysis to four themes where were named as trust, compatibility, commitment and control. This was done to identify the most critical factors. Such a process was necessary since no study including these factors in this manner has been undertaken before.

Through factor analysis, capability variables were loaded onto commitment. This did not come as a surprise because there still has to be a willingness to commit whatever capabilities exist. Hagen (2002) argues that alliance partner selection is also based on whether the operational capability in terms of resources and core-competencies is present for the respective partners. However, this becomes a big issue in highly integrated industries like tourism where companies may be involved in multiple alliances which are both domestic and international (Pansiri, 2006a). To what extent effective analysis of capabilities of potential partners can be carried out by SMEs which already have limited recourses is questionable.

In Chapter Three, different types of strategic alliances were discussed, taking into account different alliance classifications (Faulkner, 1995; Howarth et al., 1995; Bierly & Kessler, 1998; Dussauge & Garrette, 1999). A summary is provided in Figure 3.2. This thesis shows that most alliances in the travel sector are ‘loose’ (e.g. non-equity/non-joint ventures) complex/organic multi-partner collaborations which cut across travel, transport and accommodation sectors, and are international as well as domestic. These organisations belong to multiple alliances because of the multiplicity of actions they engage in and the relationships they must have (Astley & Fombrun, 1983, p. 581). The issue of internationalisation of SMEs is supported. Etemad et al. (2001) argue that while competition in global markets was traditionally the realm of large companies, with smaller businesses remaining local or regional, the global competitive environment has dramatically changed, allowing SMEs to compete globally by entering into cooperative relationships with larger, multinational enterprises, giving SMEs the opportunity to reach global markets and achieve economies of scale. However, this thesis did not investigate the size of alliance partners.

These arguments justify why capability is dropped in favour of the T-TCs, which are more behavioural oriented. In their study of the influence of behavioural and organisational characteristics on the success of international strategic alliances, Kauser and Shaw (2004) found that behavioural characteristics (high levels of commitment, trust, coordination, interdependence and communication) have a strong impact on performance and managers' satisfaction with international strategic alliances. Jamali (2004, p. 421) argues that, "[p]articularly important are the notions of compatibility, which entails identifying complementary strengths and weaknesses and commitment as reflected in the formalised commitment of necessary time energy and resources." The importance of these behavioural factors is emphasised by one of the executives (C6) who says that alliances are formed when there is commitment to deliver "no matter how difficult the request is." Through discussions of possibilities of potential partners forming alliances, commitment is established "that is based on trust because they have to deliver and have to say to you 'look, this is the best we can get.' Right! And then they say that, and I always say to them, 'don't fool me because I can always find out.'" Details of the T-TCs have been provided in both Chapters Three, Five and Six, and are further reflected in the following section, which links them to alliance performance.

7.5 Strategic alliance performance

Tourism companies are embedded in strategic alliances that create networks (Pansiri, 2006b). At the same time, these alliances have a life span determined by their effectiveness. Results of this thesis suggest that alliances are effective tools of business strategy. Table 5.14 indicates a relatively high level of satisfaction with alliance performance. This thesis further confirms past research that has used some of these items, which found high correlation between them (Geringer and Hebert, 1990). Furthermore, this thesis' results suggest that both company and UE characteristics have a certain level of influence on performance evaluation. This is not surprising. For example, a study by Entrialgo, Fernández and Vázquez, (2001) found that company characteristics (availability of resources, financial capital and competitive strategy) have a significant influence on entrepreneurship while they did not find any significant relations between firm size and age, and entrepreneurship.

Strategic alliance performance evaluation is also influenced by choice of alliance partners. Analysing relationships between choice of alliance partners and performance of an alliance is an area that has been the concern to many studies. Some of these studies have found mixed results (e.g. Medina-Munoz & Garcia-Falcon, 2000; Bennett, 1997).

Using both quantitative and qualitative data, this thesis in a way confirms Medina-Munoz and Garcia-Falcon's study (2000). The findings of this study are also consistent with some past research which has examined one or more of these constructs in other inter-organisational contexts such as alliances (Shamdasani & Seth, 1995), joint ventures and networking (Babakus, Yavas & Haahti, 2006; Harrigan, 1985; 1986) and inter-organisational relationships (Crotts & Turner, 1999; Medina-Munoz & Garcia-Falcon, 2000). From the extensive literature search that was conducted, it can be argued that this thesis is the first attempt to assess the effects of choice of alliance partners on Geringer and Herbert's (1991) subjective measures of alliance performance. The results confirm the importance of commitment, trust, control and compatibility in both choosing alliance partners (Hagen, 2002; Pansiri, 2005a) and effectively managing on-going strategic alliances since they strongly influence alliance performance and satisfaction (Shamdasani & Seth, 1995; Crotts & Turner, 1999; Medina-Munoz & Garcia-Falcon, 2000). Strategic alliances need to be nurtured and managed in order for all parties to derive benefits (Crotts & Turner, 1999) through continued commitment, trust and control of all the partners while at the same time organisational cultures should be blended to minimise conflict. In the words of one executive (C5):

> C5: Time is the key to any relationship. If you don't commit time to the relationship, the relationship will suffer as a result, and that's any kind of relationship – be it a strategic alliance, be it a relationship with your staff, be it a relationship with your suppliers, your customers, you know, you have to commit the time and resources to those relationships and to nurture them. …if you walk into a travel agency in Australia there is preferably three to four alternatives that you could book from and therefore if we have a strong relationship with that agency there is a greater chance that they will recommend our products over some other products that might be available, and so that relationship then becomes critical to the success of our business.

In this thesis, commitment was found to positively influence executives' *general satisfaction with alliance performance* ($p < 0.001$), *overall alliance performance* ($p < 0.05$) and *market share and profitability* ($p < 0.001$). This is in line with past research which found significant relationships between commitment and satisfaction with alliance performance (Julian & O'Cass, 2004). Sharma (1998) found that commitment in strategic alliances creates specifically, and shows a desire by, the alliance partners to rely on "voice" rather than 'exit". Sharma (1998, p. 517) maintains that in strategic alliances, "…partners resolve their differences through discussions rather than by leaving the alliance. Empirical evidence suggests that committed partners are willing to invest valuable resources in a cooperative agreement and can be relied on to perform essential functions in the cooperation." Shamdasani and Seth (1995) found commitment of an alliance partner to be the strongest determinant of both relationship satisfaction and continuity. They concluded that "[c]ommitment influences strongly both existing (i.e. satisfaction) and future (i.e. continuity) evaluation of the alliance relationship" (Shamdasani & Seth, 1995, p. 17). Kauser and Shaw (2004) found commitment to positively influence international strategic alliance performance and managers' satisfaction with the relationship, and Medina-Munoz and Garcia-Falcon (2000) found that commitment had a positive effect on both overall success and satisfaction with travel agent marketing support.

Leiper (2004) argues that as intrinsic components of tourism industries, tour wholesalers, travel agents, and [tour operators] have core activities that depend on cooperation with others in the same or related lines of business. The results of this thesis are encouraging as it shows that success of such cooperation occurs because partners manage their relationships through mutual consent rather than relying on coercion through written agreements (Kauser & Shaw, 2004)

Trust was found to positively influence executives' general satisfaction ($p < 0.001$). This result supports previous research on this issue. For example, Morgan and Hunt's (1994) empirical research supported the theory that commitment and trust are key mediating variables that contribute to relationship success, while Moore and Cunningham III's (1999) finding suggest that trust and commitment are major distinguishing social exchange behavioural characteristics of logistics alliances. Kauser and Shaw (2004) found that trust positively related to international strategic alliance performance and managers' satisfaction and thus a good predictor of alliance success. Mohr and Spekman (1994) also found that relationships between suppliers and dealers based on trust served to calm the dealer's fear of opportunistic behaviour, resulting in a successful partnership. Medina-Munoz and Garcia-Falcon (2000) found that trust (the extent to which the travel agent is trustworthy, and overall trust in relationship) was positively associated with both "overall success" and "satisfaction with marketing support". This means that for executives to build trusting relationships, they must act with high integrity, they should be honest about problems when they arise in relation to their obligations in the alliance, should not make false claims or promises and they should be counted on to do what is right.

Control was found to positively influence executives' satisfaction with technology ($p < 0.001$), and alliance operational performance ($p < 0.05$). These findings are similar to past empirical research which has found inter-organisational control as a strong predictor for economic performance and satisfaction with overall marketing performance of alliances (Julian & O'Cass, 2004). Medina-Munoz and Medina-Munoz (2004) found significant positive relationships between the overall success of the business relationship and types of control and control mechanisms. An earlier study by Medina-Muñoz et al. (2003) on the control that German and British tour operators exercise over the accommodation companies with whom they do business found that tour operators' control over accommodation companies is "medium" and can be described as "neither low nor considerable". They conclude that "there does appear to be great variation in the degree of control, which suggests that some tour operators exercise hardly any control, while others use a high degree of control" (2003, p. 144). This thesis supports the above given that the travel sector companies exercise more informal control (mean = 2.79) than formal control (mean = 2.61). Interviews underscored this fact by showing how respondents put more emphasis on informal control. Major practical implications of control to the success of strategic alliances in tourism is that some form of control of alliance partners is necessary for providing quality and value to customers, and minimising unethical operations by alliance partners. In trying to finding ways of dealing with these problems, Australian authorities may need to come up with control checklists as a way of helping tourism businesses, which find it difficult to control partners, particularly in international alliances. Most SMEs may not have the capacity and skills of identified control mechanisms that may limit problems associated with controlling partners.

Compatibility of cooperative businesses is another important criterion for partner selection studied in this thesis. There exists a significant positive relationship between compatibility and executives' general satisfaction with alliance performance ($p < 0.01$). This thesis confirms past research on this area. Several empirical studies (e.g., Vaara, 2000; Holtbrügge, 2004) demonstrate that this factor has a strong influence on efficiency and stability. Julian and O'Cass (2004) underscore the importance of compatibility as a strong predictor for economic performance and satisfaction with overall marketing performance of alliances, and Holtbrügge (2004, p. 265) argues that "…[p]artners with similar corporate cultures tend to have similar objectives, values and decision-making structures."

Empirical results of this thesis provide support for the majority of dimensions suggested in the alliance literature as determining factors for successful alliances (Medina-Munoz & Garcia-Falcon, 2000). However, this link is by no means conclusive. Practical implications to be drawn from this linkage are concerned with the manner in which travel agencies, tour wholesalers and operators' managers should confront the realities of future competitive strategies. While tourism businesses should fiercely compete against each other, partnerships and alliances should also form part of their strategies. There is no doubt that most tourism companies are small. They therefore lack the adequate resources for both marketing and market penetration. To overcome these inadequacies there is need to join forces. This means having multiple alliances and alliance partners who meet a variety of needs. Closely associated with this is the need to identify the most effective, yet less expensive forms of alliances. This is related to lack of finance associated with the smallness of most of the companies. Four most effective and less expensive alliance types identified are MDA, SICA, JSA and FLA. These offer companies a variety of choice. Managers in the travel sector and the whole tourism industry need to be aware of factors that could yield better alliance results and should put more effort in making themselves better alliance partners.

This thesis also highlights the problems associated with alliance evaluation. Modern organisations are involved in multiple alliances most of which their single contribution to an organisation's performance cannot be easily evaluated. This raises challenges for alliance management. Firstly, it means that greater care should be taken when deciding whether to continue with an alliance. Secondly, there is need to acknowledge that perceptual managers' assessments of performance are influenced by a variety of factors including company characteristics, characteristics of the assessor and choice of alliance partners. Furthermore, tourism companies from different sectors are likely to assess the same alliance differently, and this assessment could be greatly influenced by the businesses' size and whether it is a family owned business or not. These areas should be addressed to have a more balanced view of alliance performance.

Thirdly**,** the research design, operationalisation and conceptualisation of alliance performance measures need to be re-explored. Geringer and Hebert (1991) have provided a springboard upon which this could be done. This thesis has adapted their performance measurement items with some modifications, and has further shown strong correlations of these items. This thesis goes further by identifying *perceived alliance performance and perceived overall satisfaction with the alliance factors*, which could assist future evaluation of alliance performance. The classification according to these two dimensions brings more robustness to alliance evaluation and management. Travel sector managers could use this classification not only to assess the value of a potential alliance but also the performance of an existing alliance with a view to continue or terminate it. Table 6.14 suggests that these subjective measures are related; meaning that these two set of items should always be used together in order to make a rigorous assessment of an alliance. Future research must focus on the development, testing and validation of these measures in order to help both academicians and practitioners to assess alliance performance.

Fourthly, the link between alliance performance factors and both company characteristics and UE characteristics is by no means conclusive. However, this thesis highlights the need to put subjective assessments in a proper context – that those who assess performance of whatever kind have limited rationality and their assessments are largely influenced by their cognitive base and environmental factors.

7.6 Limitations of the study

The findings presented here must be understood in the context of the following study limitations:

Firstly, this study is limited to empirical data collected in 2005 from travel sector organisations in Australia, most of which were SMEs. The smallness of businesses which participated in this survey is indicative of travel agency and tour operator services in Australia where 97 per cent of them are SMEs (Bolin & Greenwood, 2003, p. 5). However, lack of availability of data on company sizes meant that better sampling frameworks that would have made the sample more representative of large companies were not employed. In addition, it is not yet clear whether generalisations to other industries and countries could be made. Further research is necessary to investigate whether such behaviour is only peculiar to the travel sector. Such studies could benefit more from cross-industry and cross-country research, which is deliberately designed to include both large companies and SMEs to investigate differences between these two dimensions.

Secondly, the number of questionnaires returned may have reduced external validity. Hundred and twenty seven out of 600 potential respondents completed and returned the survey. The return rate was difficult to control because as a mail survey, the participants were responsible for their return. There is need for better ways of enhancing questionnaire retention in future research. These include, but not limited to, hiring research assistants or indicating certain benefits for returning completed questionnaires. The first option is preferable since it gives assistant researchers the opportunity to explain questions to the participants. These methods are likely to raise many ethical issues in social research.

Thirdly, it was difficult to identify organisations, which had some form of strategic alliances before distribution of the questionnaire. Had this identification been done, more appropriate sampling techniques such as stratified random sampling would have been adopted. Hence, it is not clear as to whether poor retention of questionnaires, particularly from those companies, which did not have strategic alliances, was because they were not interested or that very few of them were contacted.

Fourthly, the selection of participants for interviews did not generate enough participants as was expected. The approach of asking survey respondents to indicate whether they were willing to participate in the interview meant that only a few responded. Of those who responded, half of them latter declined. The approach also meant that the people who participated in the interview were not totally representative of those who responded to the interview. Although selected group for interviews need not be representative of the total sample in qualitative research (Polkinghorne, 2005), this study could have been enhanced by the participation of women in the interviews since 35.7 per cent of them had responded to the survey. None of the women who responded to the survey indicated a willingness to participate in the interview. This is also a limitation of the upper echelon perspective, which could be criticised for being gender blind. None of the upper echelon studies identified in the literature had taken gender as a variable that need special attention just like age and experience. Further studies that incorporate gender as an executive characteristic are necessary.

Fifthly, respondents who participated in the survey were asked to use an example of their best strategic alliance to evaluate both the partner characteristics and performance variables. Therefore, the analysis and results regarding choice of alliance partners and alliance performance should be understood as applying to successful alliances and not alliances and alliance performance in general.

Lastly, although the study does not fully support most of the relationships between strategic alliance formation and UE characteristics, this is argued only in the context of its focus at the individual level. To this extent, the study does not capture the enactment process that takes place at the organisational level when top executives as a group or team assess and adopt particular strategic alliance(s) vis-à-vis other organisational strategies and alliance options in particular. Hence, the managerial characteristics - top management team - strategic choice theoretical offshoot of the UE perspective discussed in Chapter Three, and in Pansiri (2005a) may be more important in researching this topic. A number of UE studies have adopted this approach in studying organisation strategies (Michel & Hambrick, 1992; Smith et al., 1994; Hambrick & Cho, 1996; Carpenter et al., 2004). Papadakis and Barwise's study (2002) results are of interest not only to this study but to the UE perspective in general. Their study explored the influence of both CEO and TMT characteristics on the process of making strategic decisions. They found that TMT characteristics were better predictors of strategic decision-making behaviour than CEO characteristics. They relate these finding to lack of dominance over decision-making to their sample, which was relatively medium-sized, and larger organisation, assuming these organisations' CEOs and other individuals have less freedom. It could be interesting to see if the same could be extended to SMEs in the travel sector where the majority of the firms are family owned and run by their founders.

7.7 Future research and directions

This thesis used a sequential explanatory (QUAN-qual) mixed methods approach to solicit the views of top executives whose businesses are involved in strategic alliances. Quantitative data analysis formed the basis upon which semi-structures interviews were based. Using Pansiri's (2005b) research framework, This thesis responded to a call for the use of mixed methods techniques in tourism research as a way of enhancing triangulation (Oppermann, 2000; Davies, 2003; Downward & Mearman, 2004). The use of selected interview quotations to elucidate the quantitative analysis has contributed to a deeper understanding of alliance formation and performance evaluation in the travel sector, and reduced ambiguity about which factors are most influential. Having interviews to complement statistical data was important because sometimes surveys come up with items which respondents do not feel comfortable with. For instance, in the survey, control was deemed an important factor for choice of partners, but interviewed executives were often uncomfortable in discriminating between formal and informal control. The same approach of using qualitative data to illuminate quantitative analysis was recently found to have contributed to a deeper understanding of strategic alliances by Taylor (2005). More studies of this nature are essential to further academic research in tourism.

What is learnt from this thesis is that an industry-wide study has to grapple with the idea of sampling for interviews. In this thesis, the view was that only interested executives should be interviewed. Their interest was indicated by way of responding to a question in the survey, which asked respondents to indicate if they would like to be approached for an interview. This generated more information in the sense that executives were equally interested. However, such an approach can become a difficult task if only a few of the respondents show interest. Of course, it can be argued that quality is far better than quantity in this case, but better ways of making the interview method more broad based should form part of a constant investigation by mixed method researchers.

The other issue meriting attention is that the concept of SME does not suggest homogeneity of companies. This thesis shows that within SMEs, there are specific company characteristics, which make these organisations different. These factors need to be explored further to see how they relate to other areas of study. Wincent (2005) asked the question "does size matter?" In answering this question through an empirical study, Wincent concluded that firm size can be an important determinant of firm performance and for networking inside and outside the SME network. This thesis broadens this scope. A question to be asked is "does industry, size and ownership (whether a company is family or non-family owned) matter?" The results of this thesis contribute to answering this question. This thesis found significant relationships between these three company characteristics and strategic alliance decisions (forming alliances, number of alliances, participating in domestic and international alliances, alliance types, choice of alliance partners, and evaluation of alliance performance). This thesis is by no means conclusive and further avenues for research still exist. Other company factors i.e. organisational characteristics like formalisation, centralisation and complexity used by Kauser and Shaw (2004) could be added to the list of company characteristics which have been used in this thesis. These are structural variables, which have been commonly used to analyse the structure of an organisation. Kauser and Shaw (2004) found these variables not to influence international strategic alliance performance and managers' satisfaction. Whether these variables influence strategic alliance formation or not, such investigation would broaden the study and understanding of both strategic alliances and SME behaviour.

This thesis also investigated motives for alliance formation and found that all the 13 items under study were important reasons for alliance formation although their importance slightly varied by travel sub-sector. These have ramifications for both tourism-businesses and SMEs in general. Recently, Chung et al. (2006, p. 210) suggested that the time has matured for the research community to examine and ascertain the potential of strategic alliances among SMEs because these enterprises "…are often characterized by tight resources, limited access to capital, and specialization in niche markets, along with increased globalization and rapid technological change, they face even more severe competition than large organizations". Although this statement was made in relation to 'knowledge-based firms', it is also relevant for tourism companies because they operate under the same conditions. The questions for tourism business and SME executives in general should be "How can we compensate for our smallness through strategic alliances in a way that would enhance our resources and competitiveness? In what ways can we enhance synergy and learning through strategic alliances? What should I look for in a potential alliance partner? How can I know when my alliance has gone bad? What skills do I need to be an effective alliance partners?" These questions also offer research opportunities for tourism and SME experts.

Descriptive statistics were used to assess strategic alliance types and alliance motives. There is need to broaden the analysis further by investigating the relationship between these themes with executive and company characteristics. While this was possible, limitations relating to the length of the thesis were taken into account. Future research should therefore look at the influence of executive and company characteristics in environmental analysis (motives for alliance formation) and the choices of strategic alliance by executives. Further to this, future research should also consider the influence of strategic alliance motives in executives' choices of these strategic alliance types.

Interviews on choice of alliance partners have hinted on strategic alliance evolution. This was not well captured in this thesis since it was a bit outside the scope of the study. The survey did not have variables assessing strategic alliance evolution. Evolutionary studies suggest that strategic alliances evolve from emergence to growth as firms strategically adapt and align their alliances to gain the resources they need to ensure success (Hite & Hesterly, 2001) Also, repeat collaborators are less likely to adopt contractual provisions that are informational in nature and they are geared to the collaboration of the alliance (Reuer & Ariño, 2007). Future research in tourism alliances should investigate the role of internal and external evolution processes (Prevot & Meschi, 2006) on strategic alliance formation, alliance options and performance in relation to SMEs.

This thesis shows that strategic alliances can be used to enhance a company's overall performance, operational performance, and market share & profitability, and can lead to both satisfaction with alliance performance and technology transfer. Strategic alliances help in overcoming weaknesses associated with company size and poor financial position, and low levels of expertise in marketing and management (Jarratt, 1998). Tourism businesses can collaborate through a broad range of alliance options. Popular alliance options include marketing and distribution, sharing information and communication technology, joint selling and distribution, and franchising and licensing. What is common with all these alliances is their ability to market products and services through sharing of expenses and being able to effectively distribute products. Though there are expenses involved, these alliances are relatively cheap as compared to joint ventures and equity participating alliances, which need substantial amounts of investments.

With SMEs unable to access resources internally in order to develop all the capabilities necessary to compete effectively in their regional markets (Jarratt, 1998), strategic alliances have become a major vehicle through which tourism companies enhance their competitiveness. The issue of regionalisation is another contentious issue. This thesis found significant relationships between turnover and participation in international alliances, and the number of strategic alliances a company is involved in. Companies with high turnover not only have international alliances but also have multiple ones. Tourism is one of the most highly integrated industries in the world (Bullock, 1998; Dale, 2000). There is need for tourism companies to be linked internationally. This can be done effectively through alliance networks, which in turn would promote particular destinations. Future research in strategic alliances and networks should consider the role and effectiveness of international strategic alliances and identify success factors for managing such alliances.

While alliance networks are important, their management become even more central as managerial skills in dealing with both human relations and intercultural values takes centre stage. However, cultural similarities are less important as companies in multiple alliances strive more to integrate cultures than seeking cultural compatibility between companies. As C4 observes, "It's a blending of the cultures, not a similar culture. Can the cultures blend? Can the cultures meet? Can they compromise? That was the issue there". C5 confirms this by saying that "cultural similarity is probably the least because we have partners all over the globe …That's not really an issue." This means that tourism education would have to take be cognisant of the global and multicultural nature of the environment within which tourism companies are involved.

Trust and commitment are the main engines for alliance sustenance and stability. It is important that alliance relationships be mutual and collegial as opposed to much reliance on legal contracts. Be as it may, there is need to strike a balance between control and its absence, because whichever way the pendulum swings has significant implications for alliance performance and satisfaction. The three main alliance types in this thesis can be classified as 'loose', which means that they would not last if based on stringent formal controls. If this were the case, a lot of movements by companies from one alliance to another can be expected. Such moves would be counter productive since there would be serious lack of stability. Such alliances can only last if they are built on commitment. Commitment ensures stability and builds trust.

The number of international tourist arrivals worldwide continues to grow, reaching an all-time record of 763 million in 2004. The main purpose for these arrivals have been leisure, recreation and holidays (52 per cent), business travel (16 per cent) and visiting friends and relatives, religious purposes and health treatments (24 per cent). Most of these travellers have used air (43 per cent) and road (45 per cent) (UNWTO, 2005). This has far-reaching implications for tourism-based businesses and puts travel agencies, tour operators and wholesalers at the centre stage of service delivery. Tourists need confidence in tourism businesses if the industry is to continue growing. Unfortunately, not a single business can meet the needs of a tourist traveller alone. There is need for collaboration that would enhance utilisation of scarce resources and make tourist experiences exceptional. Strategic alliances are an effective way to be able to deliver up to a tourist's expectation. As C6 observes:

> C6: Alliances are formed to be able to develop a competitive market environment. If those alliances are not there, we cannot deliver the product, we cannot turn around and say to you that we can deliver this product at this particular price, because the contacts are not there. When the contacts are not there, then you are subject to the discretion of the service provider who does not know you, and that is when everything falls apart. So a business is developed on contacts.

Previous studies on networks suggests that larger firms are valuable for holding SME networks together (Buttery & Alan, 1994; Etemad et al., 2001; Wincent, 2005). For instance, Buttery and Alan (1994) refer to "kingdom network", which they argue, ties small suppliers to a large corporate customer in a vertical supplier chain, under the strategic direction of the large company. While disapproving the "traditional option" of smaller firms "piggy-backing" on larger firms at the behest of these larger firms' discretion; Etemad et al. (2001) still emphasise the necessary symbiotic relationship between large and small firms that should exist for both firms to attain world-class competitiveness. Bolin and Greenwood (2003) observe that 91 per cent of all tourism related businesses in Australia are small. This is supported by ABS (1997) which puts the total number of SMEs in Australia at 90 per cent. To imagine that SMEs have to depend on large firms for survival is an exaggeration. Researchers must be more realistic and focus on how SMEs and tourism companies form strategic alliances to compensate for their size in order to overcome their resource disadvantages and to increase their overall competitiveness. SMEs may also form alliances with larger firms for synergistic rather than dependence reasons.

7.8 Conclusion

This thesis has observed and reported on the influence of company and executive characteristics on strategic alliance formation (alliance type selection and choice of alliance partners) and performance evaluation of alliances. In this way, it has looked at strategic alliances from the perspective of which decision makers in companies best understand strategic alliances and the factors that influence these alliances. Out of the eight alliance types investigated, this thesis found that the three most important ones (marketing and distribution agreements, sharing information and communication technology and joint selling or distribution) are marketing based alliances. While this thesis is by no means conclusive, it found that significant relationships exist between both company and executive characteristics, and strategic alliance decisions on alliance formation and evaluation.

To this end, this thesis has contributed significantly to three broad fields of study: (i) Tourism studies – this thesis has made a major contribution in understanding the ways in which tourism based companies deal with environmental factors through alliances. Tourism studies have ignored this linkage and more importantly how tourism business alliances and networks can be evaluated. (ii) Strategic management – this thesis is among the first to make a linkage between the upper echelon perspective and decision-making in tourism. The argument in this thesis is that strategic alliances are strategic options just like diversification and acquisitions, hence, the need to evaluate the influence of executive characteristics in respect to decisions relating to strategic alliances. This thesis has moreover broadened the issue by identifying company characteristics as influential in executive decision-making, which is also a major field of study in strategic management. (iii) SMEs studies – given the nature of tourism businesses in Australia, it was inconceivable that such a study could neglect the conceptualisation of SMEs, more so that most of the company characteristics for the participating companies in this thesis had SME characteristics. This thesis has demonstrated how SMEs effectively participate in strategic alliances in order to overcome their inherent weaknesses. This thesis has also provided a springboard upon which SMEs can effectively evaluate their potential alliance partners and ongoing alliances.

The areas of study identified above, and the policy issues alluded to can be clearly analysed in terms of strategy and their implications by the use of the strategic alliance formation and evaluation framework developed. It is from the use of such a framework that the effective development of strong tourism alliances especially in small businesses can be created.

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APPENDICES

Appendix 1: Project Time Table

Project Schedule	**Start and finish months [Oct 2004-Oct.2006]**																							
	2004			**2005**												**2006**								
Months (Oct 2004 – Sep 2005)	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mrh**	**Apr**	**My**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mah**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
Activities																								
Confirmation of candidature																								
Ethics Approval																								
Case studies																								
Pilot survey																								
Data collection and coding (questionnaire)																								
Data analysis (questionnaire)																								
Data collection (Structured Interview)																								
Data analysis/Interpretation																								
Compilation of thesis																								
Submission of thesis																								

Appendix 2: Questionnaire (Quantitative)

University of Ballarat
School of Business

Strategic Alliances in the Australian Tourism Industry – Managers' Characteristics and Perceptions Survey

Instructions

Eligibility to answer this survey

To respond to each question you are required to mark with an **X** in the bracket ([**x**]) that is appropriate to your answer, or fill in the space that is provided for those questions requiring you to do so.

Where there are several options ranging from 1 -5 in a row, this indicates a scale where you are required to circle one option, which is most appropriate to your response.

For example:

Strategic alliances are very important.

Strongly disagree	disagree	moderate	Agree	Strongly agree
1	2	3	4	5

This questionnaire has 3 sections, labelled **Part I – III.** **Part I** will ask questions regarding the characteristics of your firm/company**. Part II** will ask questions about strategic alliances your firm is engaged in. **Part III** will ask questions regarding your details**.**

For purposes of this questionnaire, strategic alliances are *arrangements* between two or more *independent* organisations which are mutual beneficial. These include relationships such as joint ventures; equity participating alliances; brand sharing; franchises and licensing; marketing and distribution agreements; joint selling or distribution; sharing information and communication technology; and joint purchasing and equipment/office sharing.

When completed return this survey to:

Jaloni Pansiri
School of Business,
University of Ballarat,
Mt Helen Campus,
PO Box 663,
BALLARAT, VIC 3353

Section I: Company Details

1. Industry sector your company is involved in.

[ ] Travel agent [ ] Tour wholesaler/ticket consolidators [ ] Tour operator
[ ] Local tour operator [ ] Travel management [ ] Business events
Other (Specify) ____

1.1 Company location.

[ ] ACT [ ] New South Wales [ ] Northern territory [ ] Queensland
[ ] South Australia [ ] Tasmania [ ] Victoria [ ] Western Australia

2. Legal form of business.

[ ] Sole proprietorship

[ ] Partnership

[ ] Corporation

3. How would you categorise the company you work for?

[ ] Family Business

[ ] Non-family business

4. **Is the present CEO (or Managing Director) the founder of the company?**

[ ] Yes

[ ] No

5. What is the per centage of managers who are relatives to the present CEO (or Managing Director)?

[ ] 0% [ ] 1 -25% [ ] 26 – 50%

[ ] 51 – 75% [ ] 76 – 99% [ ] 100%

6. Number of paid employees in the company.

[ ] Less than 5 [ ] Between 5 - 19 [ ] Between 20 – 49

[ ] Between 50 - 99 [ ] Between 100 - 199 [ ] 200 or more

7. How would you classify the company's annual returns for 2003?

[ ] Below average [ ] Average [ ] Above average

8. What is the annual business turnover (in Australian Dollars)?

[ ] > $500, 000 [ ] $500,001 – $1M [ ] $1,000,001 – 3M

[ ] $3,000,001 - $5M [ ] $5,000,001 – 7M [ ] $7,000,001+

Section II: Strategic Alliance practices

9. Indicate by a mark [x] the alliances your company is involved in both in Australia and abroad.

Alliance Types	Australia	Abroad
a) Joint ventures	[ ]	[ ]
b) Equity participating alliances	[ ]	[ ]
c) Brand sharing	[ ]	[ ]
d) Franchises and licensing	[ ]	[ ]
e) Marketing and distribution agreements	[ ]	[ ]
f) Joint selling or distribution	[ ]	[ ]
g) Sharing information and communication technology, e.g. reservation systems.	[ ]	[ ]
h) Joint purchasing and equipment/office sharing	[ ]	[ ]
i) Others (specify)______________________________	[ ]	[ ]

10. Does your company have any strategic alliances with companies owned by your relatives?

[ ] Yes   [ ] No

11. If yes, what per centage of the alliances indicated in 9 above are involved in this way?

[ ] 1 -25%   [ ] 26 – 50%   [ ] 51 – 75%   [ ] 76 – 99%   [ ] 100%

12. Indicate by way of a mark [x] the sectors with whom your company has alliances with.

a) **Accommodation**
[ ] Hotels
[ ] Resorts
[ ] Motels and guest houses
[ ] Bed and Breakfast
[ ] Self catering accommodation
[ ] Caravan parks
Other (specify) ____________
____

b) **Travel**
[ ] Travel agents
[ ] Tour operators
[ ] Tourist bureaus
[ ] Tour wholesalers/ticket consolidators
[ ] Local tour operators
Other (specify) _______
____

c) Transportation
[ ] Airlines
[ ] Cruise
[ ] Coach or bus transport
[ ] Taxi services
[ ] Rental services of passenger cars
Other (specify) ___________
____

13. Indicate the degree to which these factors are influential to your company participating in strategic alliances.

	Very Low Influence	Low	Moderate	High	Very High Influence
a) Globalisation of the tourism industry	1	2	3	4	5
b) Entering a new international market	1	2	3	4	5
c) Entering a new geographical market in Australia	1	2	3	4	5
d) Volatility in the tourism market	1	2	3	4	5
e) General economic uncertainty.	1	2	3	4	5
f) Development/creating a new market	1	2	3	4	5
g) Economies of scale	1	2	3	4	5
h) Brand names	1	2	3	4	5
i) Reputation and general image	1	2	3	4	5
j) Legal requirements	1	2	3	4	5
k) Learning from each other e.g. technology transfer	1	2	3	4	5
l) Rapid technological change.	1	2	3	4	5
m) Strength of personal relationships	1	2	3	4	5

14. To respond to the following, please evaluate the one strategic alliance that you perceive to be the best of all your strategic alliances by way of circling the level to which you agree with the following statements. 1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree

Name of the best strategic alliance type (See question 9): ________________________________

	Strongly Disagree				Strongly Agree
a) Our company is satisfied with the strategic alliance.	1	2	3	4	5
b) Our company is likely to continue with the strategic alliance.	1	2	3	4	5
c) We selected each other because we had complementary assets.	1	2	3	4	5
d) We selected each other because there were possible synergies perceived in working together.	1	2	3	4	5
e) We selected each other because we were of an approximately similar size and strength.	1	2	3	4	5
f) We selected each other because our culture was compatible.	1	2	3	4	5
g) We selected each other because we were all very committed to the relationship.	1	2	3	4	5
h) Our partner is quite willing to make long-term investment in the alliance.	1	2	3	4	5
i) Our partner has a strong sense of loyalty to the alliance.	1	2	3	4	5
j) Our partner is willing to dedicate whatever people and resources it takes to make the alliance a success.	1	2	3	4	5
k) This alliance is something our organisation intends to maintain in the future.	1	2	3	4	5
l) The alliance is based on a strong sense of loyalty to other alliance members.	1	2	3	4	5
m) The alliance deserves our organisation’s maximum effort to maintain.	1	2	3	4	5
n) Alliance partners can be counted on to do what is right.	1	2	3	4	5
o) Alliance partners do not make false claims or promises.	1	2	3	4	5
p) Alliance partners are honest about problems when they arise.	1	2	3	4	5
q) Alliance partners have high integrity.	1	2	3	4	5
r) In general, my organisation is satisfied with the strategic alliance overall performance.	1	2	3	4	5
s) In general, our partners are satisfied with the strategic alliance overall performance.	1	2	3	4	5
t) We have learned or benefited from our partners’ specific skills and competencies.	1	2	3	4	5
u) We have benefited from technology transfer from our partners.	1	2	3	4	5
v) The alliance has enabled us to develop new technology processes.	1	2	3	4	5
w) We exert informal control over our alliance partners in order to achieve alliance objectives.	1	2	3	4	5
x) We exert formal control over our alliance partners in order to achieve alliance objectives.	1	2	3	4	5
y) We have experienced an increase in the number of clients since we joined the alliance	1	2	3	4	5

15. **For each of the following, please rate the effects that going into the best strategic alliance evaluated under question 14 has had on your current company/firm performance versus its performance before joining the strategic alliance.** (*Circle the number which best describes how you think about each statement)*

		Much Worse	Slightly Worse	No Change	Slightly Better	Much Better
a)	Sales Level	1	2	3	4	5
b)	Market Share	1	2	3	4	5
c)	Profitability	1	2	3	4	5
d)	Cost control	1	2	3	4	5
e)	Technology development	1	2	3	4	5
f)	Quality control	1	2	3	4	5
g)	Labour productivity	1	2	3	4	5
h)	Marketing	1	2	3	4	5
i)	Distribution	1	2	3	4	5
j)	Reputation	1	2	3	4	5
k)	Value creation	1	2	3	4	5
l)	Accessibility to skills	1	2	3	4	5
m)	Customer service	1	2	3	4	5
n)	Overall performance	1	2	3	4	5

Section III: Participants Details

This information is anonymous and cannot be linked to you personally

16. Your gender [ ] Male [ ] Female

17. Your Age.

[ ] Below 20 years [ ] 20 – 30 years [ ] 31- 40years

[ ] 41 – 50 years [ ] 51 - 60 years [ ] 61 – 70 years

[ ] Above 70 years

18. Your highest educational level.

[ ] Not completed high school [ ] High school [ ] TAFE

[ ] Undergraduate degree [ ] MBA [ ] Masters Degree

[ ] Doctorate Other (specify) ______________________________

19. Indicate the number of years you have spent during your career in any of these functional categories.

[ ] Production/operation [ ] Marketing, sales, and merchandising

[ ] Finance/accounting [ ] Human resource management

[ ] Product R&D [ ] Planning and general management

[ ] Consultancy Others (specify) ______________________________

20. Number of years you have been employed in the company.

[ ] 0 – 2 years [ ] 3 – 5 years [ ] 6 – 8 years

[ ] 9 - 11 years [ ] More than 12 years

21. How many of these years have been spent in managerial positions?

[ ] 0 – 2 years [ ] 3 – 5 years [ ] 6 – 8 years

[ ] 9 - 11 years [ ] more than 12 years

22. What is your current position in the company?

[ ] CEO [ ] Managing Director

[ ] Director (Production/operation) [ ] Director (Marketing, sales, and merchandising)

[ ] Director (Finance/accounting) [ ] Director (Human resource management)

[ ] Director (Product R&D) [ ] Director (Planning and general management)

[ ] Senior consultant/Consultant Others (specify) ______________________________

23. Are you an: [ ] Owner manager [ ] Employed executive?

Other (Specify) ______________________________

24. How would you rate your own willingness to undertake risky business propositions as compared to other executives at or near your level in your firm? *(Please put an* **X** *in the most appropriate box).*

[ ] Very low [ ] Low [ ] Moderate [ ] High [ ] Very high

25. Please indicate the level to which you agree with the following statements.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
a. The most interesting life is to live under rapidly changing conditions	1	2	3	4	5
b. Adventurous and exploratory people go farther in this world than do systematic and orderly people	1	2	3	4	5
c. When planning a holiday, a person should have a schedule to follow if he/she is really going to enjoy himself/herself	1	2	3	4	5
d. Doing the same thing in the same places for a long period of time makes for a happy life.	1	2	3	4	5

26. For each of the following statements, please circle the number that best indicates the likelihood of you engaging in each activity.

	Extremely unlikely	Unlikely	Neutral	Likely	Extremely likely
a. Investing 10% of your annual income in a blue chip stock.	1	2	3	4	5
b. Investing 10% of your annual income in a very speculative stock.	1	2	3	4	5
c. Investing 10% of your annual income in government bonds or treasury bills.	1	2	3	4	5
d. Lending a friend an amount of money equivalent to one month's income at no interest.	1	2	3	4	5
e. Taking a day's income to play the poker - machines at a nearby club.	1	2	3	4	5
f. Taking a job where you get paid exclusively on a commission basis	1	2	3	4	5

27. If you have any other comments on this survey please write them below.

____

____

____

____

____

____

____

28. Are you available in future for a personal interview? [ ] Yes [ ] No

29. If yes, please provide your postal and email addresses.

Postal Address:	**Email Address:**

Thank you for taking the time to complete this questionnaire. Your answers are invaluable to our research. Please send the completed questionnaire in the envelope provided.

Appendix 3: Questionnaire (semi-structured interviews)

A) Alliance types and reasons for alliance formation

1. Would you like to start this discussion by telling me about the strategic alliances your business is involved in? What influenced your company/firm into forming or becoming involved in strategic alliances? And what influenced your selection of partners (complementary assets, are possible synergies perceived in working together, similar size and strength, compatible with each other)?
2. Our study so far indicate that "Reputation and corporate image; Strength of personal relationships; Developing/creating new markets; Economies of scale and Learning from each other" are the most important motives for alliance formation, what is your view on each of these motives? Do these reflect why your business entered into alliances?
3. Entering new markets (both domestic and international) seem to be the least important motives, would this be associated with the fact that most of the businesses are small. What's your view on this?
4. If you were to comment on the number of alliances and their geographical location (domestic or international) what would you say were the main reasons influencing your company to form such alliances? What would you say were the main reasons for going or no going into such alliances?
5. Would you say the nature of business (travel agents or tour operator) and its size were strong determinants or reasons influencing alliance formation?
6. In your opinion, which sectors do you think your business has most alliances with, i.e. accommodation, travel and/or transportation? Which in particular? Why?"

   Interviewer: The most popular alliances from our study so far seem to be Marketing and Distribution Agreements [MDA] (ranked No. 1), Sharing Information and Communication Technology [SICA] (ranked No. 2), Franchising and licensing Agreements [FLA] (ranked No. 4). How do you react to these figures? Do they surprise you? Why is it that FLA are so popular among travel agents in particular?

B) Strategic Alliance performance

7. Let's talk about alliance performance – If you were asked to make a general statement about how satisfied are you with the overall strategic alliance performance what would you say? Probe for issues, i.e. why are you satisfied or not?
8. Would you say your company's performance is much better now than before it joined the strategic alliance? In what ways? (Do you think you have an advantage being in a strategic alliance than your competitor?)
9. In general, how satisfied do you think, has your partners been with the overall performance of the strategic alliance?
10. The extent to which your company has learned or benefited from this alliance experience in the following; marketing skills, helping to adapt to new technology systems, transferring of technologies, and others, state.
11. In what ways has alliances improved your business performance? E.g. general satisfaction, satisfaction with technology, overall alliance performance, operational performance and market share and profitability.

C) Choosing Alliance partners

12. Let's talk about choosing alliance partners – to what extent is this an important issue with respect to your business?
13. If you were to rank commitment, trust, cultural compatibility and control of alliance partners, which would you say are the most important issues you would look for when deciding on an alliance partner? Why?
14. Would you say that good choice of alliance partners enhances alliance performance? In what ways?
15. Would you then say that you are willing to continue with the strategic alliance?
16. Let's now talk about issues of commitment and trust. Would you say you are committed to the alliance and trusted by other alliance partners? How about your partners to the alliance – are they in your view committed and trustworthy as you are?

17. Do you have any control over the way your partners participate in the alliance? Which form of control would you say you find mostly effective?
18. Are alliances a risky form of business operation? Why?
19. Which alliances would you say are more risky?

After the interview, the demographic data will then be collected from the interviewee.

Appendix 4 - Test of Homogeneity of Variances for Choice of alliance Partners

Organisation Factors	Commitment		Trust		Compatibility		Control	
	df	LS	df	LS	df	LS	df	LS
Sector	2	3.03	2	0.20	2	0.65	2	1.67
Legal form	2	4.21*	2	2.56	2	.028	2	0.37
Employees	2	.38	2	2.38	2	2.08	2	0.16
Turnover	2	0.82	2	1.38	2	0.21	2	0.74
Category	1	0.27	1	0.33	1	0.31	1	0.54
UE Characteristics								
Age	4	0.34	4	1.36	4	2.34	4	1.22
Education	4	0.24	4	0.80	4	2.28	4	1.05
Experience	4	0.21	4	1.36	4	1.48	4	0.22
Tenure	4	0.55	4	1.46	4	0.65	4	0.27
Ownership	1	1.42	1	0.09	1	0.52	1	0.89
Risk willingness	4	4.29**	4	0.70	4	0.68	4	0.49
Investment Risk	1	1.08	1	0.30	1	2.83	1	0.01
Adventure	1	0.61	1	0.00	1	0.08	1	0.12
Un-adventure	1	5.57*	1	2.20	1	0.01	1	5.92*

Notes: df = Degree of freedom; LS = Levene Statistic; *p<0.05 and **p<0.01

Appendix 5 - Test of Homogeneity of Variances for Performance Evaluation

Variables	**General satisfaction with performance**		**Satisfaction with technology transfer**		**Overall alliance performance**		**Operational Performance**		**Market share & profitability**	
Organisation Factors										
	df	LS	df	LS	df	LS	df	LS	df	LS
Sector	2	1.19	2	.36	2	1.02	2	1.48	2	.16
Legal form	2	5.67**	2	.33	2	.55	2	.98	2	.30
Employees	2	4.00*	2	.09	2	1.79	2	.36	2	.96
Turnover	2	2.1	2	.46	2	6.38**	2	.88	2	1.22
Category	1	4.44*	1	.050	1	0.51	1	0.05	1	0.62
UE Characteristics										
Age	4	0.39	4	1.11	4	0.78	4	0.09	4	1.46
Education	4	2.69	4	0.43	4	1.10	4	0.17	4	2.35
Experience	4	1.35	4	0.39	4	1.65	4	0.25	4	0.97
Tenure	4	0.87	4	1.28	4	1.49	4	1.43	4	1.11
Ownership	1	4.08*	1	.03	1	0.34	1	0.63	1	2.55
Risk willingness	4	1.98	4	1.38	4	0.38	4	1.01	4	1.56
Investment Risk	1	1.04	1	2.53	1	.03	1	3.15	1	.00
Adventure	1	3.34	1	.06	1	.00	1	3.39	1	.02
Un-adventure	1	1.98	1	8.01**	1	.48	1	.58	1	.33

Notes: df = Degree of freedom; LS = Levene Statistic; *p<0.05 and **p<0.01

Appendix 6 – Letter to potential participants

XXXXXXXXX
XXXXXXXXX
XXXXXXXXX
XXXXXXXXX

Dear XXXXX

RE: Research on Strategic Alliances in the Australian Tourism Industry

We are currently investigating relationships that drive strategic alliance formation with emphasis on strategic alliance selection, choice of alliance partners and alliance structures in the Australian tourism industry. A summary of our findings will be distributed to all managers in the study, which could be beneficial in terms of effectively managing their networking and strategic alliances in the future.

Names of companies and individuals who participate in this survey have been collected from the many promising and prominent tourism businesses websites in Australia.

We would appreciate your response to this letter by way of logging into our on-line questionnaire at http://www.cecc.com.au/surveys/j_pansiri/ at your earliest convenience. We have obtained encouraging survey data from others who participated. The more data we can collect from the survey the more robust the results and the better information we can provide about strategic alliances in tourism. Your participation is highly valued. Contact and any queries can be made by post, email to j.courvisanos@ballarat.edu.au, or phone 03 53179417.

Yours Sincerely,

Dr. Jerry Courvisanos
Senior Lecturer
School of Business

Link to Questionnaire: http://www.cecc.com.au/surveys/j_pansiri/

Appendix 7 – Letter to potential participants

XXXXXXXXX
XXXXXXXXX
XXXXXXXXX
XXXXXXXXX

Dear XXXXX

RE: Research on Strategic Alliances in the Australian Tourism Industry – Managers' Characteristics and Perceptions

We are undertaking research on strategic alliances in the Australian tourism. The purpose of this research is to investigate the relationships that drive strategic alliance formation and explore the effects of managers' characteristics and perceptions on strategic alliance selection, choice of alliance partners and alliance structures in the Australian tourism industry. The attached survey aims to collect data on this issue. A summary of our findings will be provided, which could be beneficial to you in terms of effectively managing your company's strategic alliances in the future.

Please assist this research by completing the questionnaire. We anticipate that the filling of the questionnaire will take approximately 20 minutes.

All information provided will be treated with strict confidentiality. Participation in this research is voluntary. You are free to withdraw consent and to discontinue participation in the study at any time. Any unprocessed data supplied by you will not be used if consent is withdrawn. All information you provide (including questionnaires) will be treated with the strictest confidence and data will be stored separately from any listing that includes your name and address. Aggregated results will be used for research purposes and may be reported in scientific and academic journals. Once such information has been aggregated it is unable to be identified, and from this point it is not possible to withdraw consent to participate. By completing the questionnaire and returning it to Jaloni, you are implicitly providing your consent to participate in this survey.

If you have any questions concerning this project, or the procedures associated with this research, please contact the principal supervisor, Dr. Jerry Courvisanos at (03) 53 279417 or email him at j.courvisanos@ballarat.edu.au,. Or the researcher, Mr. Jaloni Pansiri at (03) 53 279059 or email him at j.pansiri@ballarat.edu.au

To be eligible to answer this survey you must be the major decision maker/controller of your business. If you are not the appropriate person to complete this questionnaire, then we ask that you forward this to the appropriate person. Thank you for agreeing to participate in this survey.

When completed return this survey with the envelope provided

Yours Sincerely,

Dr. Jerry Courvisanos
Senior Lecturer
School of Business

Glossary

A$M	Australian Dollars in Millions
AAA	The Company interviewed
ABS	Australian Bureau of Statistics
ANZSIC	Australia and New Zealand Standard Industrial Classification
ATSA	Australian Tourism Satellite Accounts
BSA	Brand sharing
CATO	Council of Australian Tour Operators
CEO	Chief Executive Officer
EPA	Equity participating alliance
FLA	Franchises and licensing
GDP	Gross Domestic Product
GVA	Gross Value Added
JSA	Joint selling or distribution
JV	Joint venture
JPEA	Joint purchasing and equipment/office sharing
MDA	Marketing and distribution agreements
PCA	Principal Component Analysis
SICA	Sharing information and communication technology
SMEs	Small and Medium Enterprises
TCF	Travel Compensation Fund
TFC	Tourism Forecasting Committee
TMT	Top Management Team
XXX	Company that the interviewed company has an alliance with
TSA	Tourism Satellite Accounts
ICTs	Information and Communication Technologies
CRS	Computer Reservation Systems
GDSs	Global Distribution Systems
MNEs	Multinational enterprises
UNWTO	World Tourism Organization